

**Statistics of Income**

**Compendium of Studies  
of International  
Income and Taxes**

**1984 - 1988**



Department of the Treasury  
Internal Revenue Service  
Publication 1267 (Rev. 9-91)

Catalog Number 63161U

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**Fred T. Goldberg, Jr.**  
Commissioner

This report presents information from studies in the international area. This information includes the foreign activity of U.S. corporations and the activity of foreign corporations in the United States and foreign interests in U.S. corporations. In addition, statistics related to individuals, partnerships, trusts, and estates are included. Data are presented by geographical location, industrial activity, and other classifiers.

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Deputy Commissioner

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Additional unpublished information for the studies is available on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income, 1111 Constitution Ave., NW, Washington, DC 20224.

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DeWitt R. Long, Kimberly A. Veletto, and Robert A. Wilson were the technical editors for this report and were assisted by Clementine Brittain and John Glynn. Any views expressed in the articles are those of the authors and do not necessarily represent the views of the Department of the Treasury.

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# Preface

The purpose of this compendium is to assemble in one volume results from all of the recent studies conducted in the international income and taxes area by the Statistics of Income Division, Internal Revenue Service. The majority of data presented here are for Tax Years 1984 through 1988. The material selected for this compendium is comprised chiefly of articles, tabulations of data, and facsimiles of tax forms and instructions. This material is intended as a reference source for economists, statisticians and other researchers with interests and responsibilities in the international area. However, the reader unfamiliar with these studies can also gain an understanding of them from the articles.

As briefly mentioned above, this compendium contains a variety of material. It begins with a paper that provides an overview of the studies conducted by the Statistics of Income Division in the international area. There are also twelve articles which were previously published in the Statistics of Income Bulletin. (For citation purposes, these Statistics of Income Bulletin articles are listed separately as part of this preface.) Several articles and tabulations of data are presented for the first time in this compendium. Finally, there is a section showing facsimiles of the forms and schedules filed with the Internal Revenue Service and used as bases for the studies. This section also contains facsimiles of selected instructions for the forms and schedules.

With the exception of the Overview (Section 1) and the Forms and Instructions (Section 15), the Compendium of Studies of International Income and Taxes is organized such that each section contains information on a specific topic. The topics covered include:

1. Corporate foreign tax credit
2. Controlled Foreign Corporations
3. Foreign Sales Corporations
4. Interest Charge-Domestic International Sales Corporations

5. Domestic corporations with 50 percent or more ownership by a foreign entity
6. Foreign corporations with income derived from U.S. sources
7. U.S. possessions corporations
8. International boycotts
9. Individual foreign tax credit and foreign earned income
10. Foreign recipients of U.S. income
11. U.S. partnership income of foreign partners
12. Foreign trusts
13. Nonresident alien estates

It is suggested that readers using this compendium begin by looking at the overview and then the introductions at the beginning of each section. Each introduction includes a table of contents for that section.

Specific information for a given topic on sample selection and variability and nonsampling data limitations is included in the "Data sources and Limitations" section of the articles contained in this compendium. In addition to this information, a general description of Statistics of Income (SOI) sampling procedures and data limitations is available in the Appendix of the Statistics of Income Bulletin.

The current volume represents only a sampling of the statistical information that might be of value to practitioners and researchers. The Statistics of Income Division also produces other tabulations of data that are not published due to space limitations. In addition, because of disclosure considerations, no microdata public use tape files can generally be released. However, special tabulations not included in this compendium can be produced, using SOI data, upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, R:S:F, Internal Revenue Service, Washington, DC 20224.

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"Foreign Income and Taxes Reported on U.S. Individual Tax Returns, 1983: An Overview"	Summer 1987 Vol. 7, No. 1 Pages 69-74
"Foreign Trusts, 1986"	Spring 1988 Vol. 7, No. 4 Pages 47-53
"Foreign Corporate Investment and Activity in the U.S., 1984 and 1985"	Spring 1989 Vol. 8, No. 4 Pages 75-91
"Controlled Foreign Corporations, 1984: An Industry Focus"	Fall 1989 Vol. 9, No. 2 Pages 31-52
"Corporate Foreign Tax Credit, by Industry, 1984"	Winter 1989-90 Vol. 9, No. 3 Pages 57-90
"Controlled Foreign Corporations, 1984: A Geographic Focus"	Spring 1990 Vol. 9, No. 4 Pages 115-34
"Domestic Corporations Controlled by Foreign Persons, 1987"	Summer 1990 Vol. 10, No. 1 Pages 73-90
"Corporate Foreign Tax Credit, 1986: An Industry Focus"	Fall 1990 Vol. 10, No. 2 Pages 65-83
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"Foreign Recipients of U.S. Income, 1988"	Winter 1990-91 Vol. 10, No. 3 Pages 19-30
"1986 Corporation Foreign Tax Credit, A Geographic Focus"	Winter 1990-91 Vol. 10, No. 3 Pages 31-46
"Controlled Foreign Corporations, 1986"	Summer 1991 Vol. 11, No. 1 Pages 29-50
"U.S. Possessions Corporation Returns, 1987"	Summer 1991 Vol. 11, No. 1 Pages 51-60

## Contents

Introduction, p. 1.

"Statistics of Income Studies of International Income and Taxes: A Description of the Studies," p. 3.

This section is designed to provide the reader with an introduction to the various foreign and international area studies conducted by the Statistics of Income (SOI) Division of the Internal Revenue Service. The paper contained in this section is divided into two

parts. The first part deals with those studies that pertain to the activities of U.S. persons abroad; the second deals with studies that pertain to the activities of foreign persons within the United States. Within the two parts are sections dealing with each study. These sections include a brief explanation of the applicable tax law and some selected data.

The reader is referred to Sections 2 through 14 for more complete discussions and data presentations of each SOI study. Copies of tax forms and instructions related to the studies are contained in Section 15 of this compendium.

# Statistics Of Income Studies Of International Income And Taxes

By DeWitt R. Long

## I. INTRODUCTION

The Statistics of Income Division of the Internal Revenue Service conducts a number of studies dealing with international income and taxes. These studies can be divided into two broadly-defined groups. One group includes studies dealing with the foreign activities of U.S. persons. The other group deals with the activities of foreign persons within the United States.

In general, the nature of the U.S. tax system that a taxpayer faces depends upon the identity of the taxpayer. The United States generally taxes U.S. persons on their worldwide income or property (in the case of estate taxation), regardless of where the income is earned or where the property is located. On the other hand, the United States usually taxes persons who are not U.S. persons (i.e., foreign persons) only on the portion of their income or property that is in some way related or connected to the United States. Therefore, the determination of whether a taxpayer is a U.S. or foreign person is critical to determining the nature of the U.S. tax system that the taxpayer faces. A U.S. person is any citizen or resident of the United States, a domestic partnership or corporation, and any estate or trust that is not considered foreign. A foreign person is any person who is not a U.S. person.[1]

Part II of this article, Foreign Activity of U.S. Persons, describes those studies that deal with the international activity of U.S. persons. These studies include the following: Corporate Foreign Tax Credit, Controlled Foreign Corporations, Foreign Sales Corporations, Interest Charge-Domestic International Sales Corporations, U.S. Possessions Corporations, International Boycotts, Individual Foreign Tax Credit and Foreign Earned Income, and Foreign Trusts. Part III of this article, Activity of Foreign Persons in the United States, describes those studies that deal with activity conducted within the United States by foreign persons. These studies include the following: Domestic Corporations Controlled by Foreign Persons, Foreign Corporations With Income Derived from U.S. Sources, Foreign Recipients of U.S. Income, U.S. Partnership Income of Foreign Partners, and Nonresident Alien Estates. Part IV, Plans for Future Studies, describes the plans for the

studies of international income and taxes for the period between 1988 and 1993. This section also describes several other studies for which data will be available in the future.

## II. FOREIGN ACTIVITY OF U.S. PERSONS

### Corporate Foreign Tax Credit

One problem faced by U.S. corporations engaged in business activity outside the United States is the double taxation of income. Double taxation usually results when the foreign-source income of a U.S. person is taxed both by the foreign country where the income is earned and by the United States. The foreign tax credit was enacted in 1918 to alleviate the problem of conflicting tax burdens imposed on U.S. taxpayers.[2] The United States allows U.S. taxpayers a credit against their U.S. tax liability for income, war profits and excess profits taxes paid or deemed to have been paid to foreign countries and U.S. possessions.[3] The taxpayer may instead deduct its foreign taxes from its gross income under section 164 of the Internal Revenue Code. However, if a deduction is chosen, the taxpayer is not allowed to credit any foreign taxes. A credit is allowed for both taxes paid or accrued directly by the taxpayer and taxes paid by a foreign subsidiary of the taxpayer when the subsidiary makes a distribution to the taxpayer.

Prior to calculating the actual foreign tax credit, the taxpayer must determine its creditable foreign taxes.[4] This determination requires an analysis of each separate levy imposed by a foreign country to determine whether the levy is an income tax in the U.S. sense.[5] Also, the taxpayer must determine the amount of the tax that is actually creditable, because certain tax payments, such as foreign taxes reasonably certain to be refunded, can not be credited. However, even if the levy is not considered a creditable income tax, it may still be creditable as a tax in lieu of an income tax. A levy is a tax in lieu of an income tax if the levy is a tax and it is imposed in substitution for, and not in addition to, a generally imposed income tax.

As noted above, a domestic corporation receiving a dividend from a foreign subsidiary can claim a credit for foreign taxes actually

paid by the subsidiary. Such taxes are deemed to have been paid by the domestic corporation receiving the dividend. For a U.S. corporation to claim a credit for taxes deemed paid, it must own at least ten percent of the foreign corporation's voting stock. Also, credit may be taken for taxes paid by second- and third-tier foreign subsidiaries, provided that the product of each tier's ownership level is at least five percent. The allowable credit for foreign taxes deemed paid is equal to the foreign taxes paid by the foreign subsidiary multiplied by the ratio of the dividend paid to the foreign subsidiary's earnings and profits.

Once creditable foreign taxes, both paid or accrued and deemed paid, have been determined, the taxpayer must compute the limitation on the allowable credit. The foreign tax credit limitation limits the foreign tax credit to what the U.S. tax would be on foreign-source income. The foreign tax credit limitation must be computed separately for different types of income. For tax years beginning prior to 1987, the credit was computed separately for five types or "baskets" of income. These baskets were Section 904(d) interest income, dividends from an Interest Charge-Domestic International Sales Corporation (IC-DISC) or former DISC, taxable income attributable to the foreign trade income of a Foreign Sales Corporation (FSC), distributions from a FSC out of earnings and profits attributable to foreign trade income, and all other income.[6] For tax years ending after 1987, a taxpayer must compute the foreign tax credit limitation separately for nine types of income. The post-1986 baskets are passive income, financial services income, high withholding tax interest, shipping income, dividends from each noncontrolled Section 902 corporation, dividends from an IC-DISC or former DISC, taxable income attributable to the foreign trade income of a FSC, distributions from a FSC out of earnings and profits attributable to

foreign trade income, and all other income.[7] When computing the foreign tax credit limitation, the taxpayer must determine gross foreign-source income, reduced by deductions that are properly allocable to foreign-source income and the ratable part of any deductions not definitely allocable to any particular income. In addition, income, deductions and taxes must be allocated to the appropriate income basket. If a taxpayer has creditable foreign taxes in excess of the foreign tax credit limitation, the taxpayer may be able to credit the taxes in another year. The taxpayer can carry the taxes back to two prior years or forward to up to five succeeding years.

A corporation that chooses to claim a foreign tax credit must file a Form 1118, Computation of Foreign Tax Credit - Corporations, with its corporate income tax return. A separate Form 1118 must be filed for each income basket. On the Form 1118, the taxpayer must report all foreign-source income and deductions and foreign taxes for each foreign country in which income was earned or taxes paid. The corporation must calculate the foreign tax credit limitation for each income basket. The foreign tax credit for each basket is the lesser of creditable foreign taxes or the foreign tax credit limitation. The total foreign tax credit is the sum of the credits for each income basket.

Figure A contains selected foreign income and tax data reported on Forms 1118 filed for selected years between 1976 and 1988. The substantial drop in the foreign tax credit between 1980 and 1982 was the result of the worldwide recession that occurred in the early 1980's.[8] Since 1982, foreign income and taxes have increased to pre-1982 levels. By 1988, foreign-source taxable income had surpassed the 1980 level and total foreign taxes were nearly equal to the 1980 amount.

Figure A.—Foreign Tax Credit Claimed on Corporation Income Tax Returns, 1976-1988

(Money amounts in millions of dollars)

Tax Year	All Returns		Returns with Form 1118 Filed			
	Number of Returns	Foreign Tax Credit Claimed	Number of Returns	Foreign Taxable Income	Total Foreign Taxes*	Foreign Tax Credit Claimed
1976.....	6,513	\$23,579	6,136	\$55,414	\$43,863	\$23,547
1978.....	6,039	26,358	5,219	65,150	59,912	26,344
1980.....	6,199	24,880	6,046	70,541	34,207	24,867
1982.....	4,941	18,932	4,931	59,482	40,265	18,932
1984.....	4,841	21,420	4,809	63,588	28,605	21,407
1986.....	4,506	22,261	4,409	65,809	28,467	22,258
1988.....	4,787	27,119	4,230	99,865	33,358	27,111

\*Total foreign taxes available for credit (including carryover of prior year taxes) before reduction for certain foreign taxes.

### Controlled Foreign Corporations

A corporation is generally treated as a legal entity separate and distinct from its shareholders. Given this separate status, a corporation is generally taxed separately from its shareholders. The corporation usually has an effect on a shareholder's taxation only when the corporation actually distributes its earnings to the shareholder, such that if no distribution occurs, the earnings of the corporation are only taxed at the corporation's level.[9] When the corporation exists in a different country than its shareholders, differing tax rules may create incentives for shareholders who control the corporation to shift income to the corporation.[10] Since the United States usually does not tax a foreign corporation that has no contacts to the United States (other than the fact that its shareholders reside in the United States), controlling U.S. shareholders of the foreign corporation may wish to accumulate income in the foreign corporation. Prior to 1962, this income could indefinitely avoid U.S. taxation. The Subpart F provisions of the Internal Revenue Code were enacted in 1962 to address this problem.[11] Under Code section 951, a U.S. shareholder of a Controlled Foreign Corporation (CFC) must include in gross income the shareholder's pro rata share of certain income of the CFC. This includable income includes the CFC's Subpart F income, the CFC's increase in earnings invested in U.S. property, any previously excluded Subpart F income withdrawn from qualified investments in less developed countries and in foreign base company shipping operations, any previously excluded export trade income withdrawn from investments in qualified export assets, and factoring income.

The main requirement for the application of this tax system is that the foreign subsidiary must be a Controlled Foreign Corporation (CFC). In general, a CFC is any foreign corporation with more than fifty percent of either the total

combined voting power or the total value of its stock owned or considered to be owned by U.S. shareholders. A U.S. shareholder is a U.S. person who owns at least ten percent of the foreign corporation's combined voting power of all classes of stock entitled to vote. If a foreign corporation is a CFC for an uninterrupted period of thirty days, then the inclusion noted above is required.

The Subpart F income of a CFC includes the following: (1) insurance income; (2) foreign base company income; (3) international boycott participation income; (4) the sum of illegal bribes and other payments made to government officials that would be unlawful under the Foreign Corrupt Practices Act of 1977; and (5) income derived from a country which is not recognized by the United States, with which the United States does not conduct or has severed diplomatic relations, which repeatedly provides support for acts of international terrorism, or, for tax years beginning after January 1, 1988, the Republic of South Africa.[12]

If a foreign corporation is a CFC for thirty uninterrupted days, every United States shareholder on the last day of the CFC's tax year must include its pro rata share of the CFC's includable income in the shareholder's gross income. To fulfill this requirement, the taxpayer must file a Form 5471, Information Return With Respect to a Foreign Corporation, for all foreign corporations in which the person owns more than fifty percent of the stock.[13] This information return is filed as part of the U.S. corporate return. On the Form 5471, the taxpayer must report certain identifying information; the income, assets, and liabilities of the CFC; distributions made by the CFC; and the CFC's transactions with related parties. This information serves as the basis for the CFC data.

Figure B contains data for CFC's for selected years between 1976 and 1988. Data for

Figure B.—Controlled Foreign Corporations, 1976-1988

(Money amounts in millions of dollars)

Tax year	Number of returns	Controlled Foreign Corporations					
		Number of CFC's	Total assets	Business receipts	Current E&P before taxes*	Foreign income taxes	Total distributions
1976.....	757	21,071	\$285,442	\$342,777	\$23,479	\$8,630	\$6,569
1980.....	951	24,138	477,828	652,490	44,502	15,316	13,421
1982.....	1,034	26,993	557,209	647,877	36,696	14,077	14,650
1984.....	1,103	27,003	595,406	624,530	48,592	19,663	17,429
1986.....	714	7,500	740,396	589,885	56,591	19,035	21,731
1988**.....	751	7,500	953,787	817,309	78,920	23,663	45,386

\*Current earnings and profits (less deficit) before taxes.

\*\*Preliminary data.

Note: Data for Tax Years 1976 through 1986 are for U.S. corporations with total assets of at least \$250 million. Data for 1988 include U.S. corporations with total assets of \$500 million or more. Data for 1986 and 1988 include only the 7,500 CFC's with the largest amount of total assets.

1986 and 1988 are only for the 7,500 CFC's with the largest amount of total assets. Historically, these CFC's have accounted for over ninety percent of the total amount for all CFC's for most financial items. Particularly noteworthy is the large increase in distributions made by CFC's during recent years. Between 1986 and 1988, current earnings and profits of CFC's before taxes increased by about forty percent. During this same period, total distributions of CFC's increased by 109 percent.

Foreign Sales Corporations

A Foreign Sales Corporation (FSC) is a foreign corporation formed in certain foreign countries and U.S. possessions for the purpose of exporting U.S. products. The FSC provisions of the Internal Revenue Code provide a partial corporate tax exemption for certain income earned by the FSC. The FSC was created by the Deficit Reduction Act of 1984 to replace the Domestic International Sales Corporation (DISC). The DISC was a domestic corporation whose qualifying export income was not subject to U.S. income taxation until the income was distributed or deemed to be distributed to the DISC's shareholders. The DISC was the subject of proceedings in the General Agreement on Tariffs and Trade (GATT) following allegations by other signatories of the GATT that the DISC was an illegal export subsidy because it received an indefinite deferral of direct taxes on income earned in the United States from exports. To resolve the dispute, the United States replaced the DISC with the FSC and the Interest Charge-Domestic International Sales Corporation.[14]

To be eligible for FSC status and the resultant tax benefits, a corporation must fulfill certain organizational and foreign presence requirements. The foreign presence requirements include requirements that certain management and economic process activities of the corporation must be performed outside the United States.[15]

The major tax benefit available to a FSC is the exemption from tax of a portion of the FSC's foreign trade income. The rest of the FSC's income is subject to U.S. tax. Foreign trade income is the gross income of the FSC attributable to foreign trading gross receipts.[16] For transactions between a FSC and a related party, the FSC must calculate its foreign trade income using the transfer pricing rules.[17] These pricing rules are the combined taxable income method, the percentage of gross receipts method, and the arms length pricing method. Under the combined taxable income and the gross receipts methods, a certain portion of the income derived from a transaction with a

related party is allocated to the FSC. Under the arms length income method, the FSC's income is equal to the amount that the FSC could independently justify on the basis of its sales activity.

Once the FSC has determined its foreign trade income, it must calculate the portion of foreign trade income that is tax-exempt. For a FSC with corporate shareholders, the exempt portion of foreign trade income is either fifteen twenty-thirds of foreign trade income (if foreign trade income is determined under either the combined taxable income or percentage of gross receipts methods) or thirty percent of foreign trade income (if foreign trade income is determined under the arms length pricing method). For a FSC with all noncorporate shareholders, the exempt portion of foreign trade income is either sixteen twenty-thirds of foreign trade income (if foreign trade income is determined under either the combined taxable income or percentage of gross receipts methods) or thirty-two percent of foreign trade income (if foreign trade income is determined under the arms length pricing method). The exempt portion of foreign trade income is excluded from the taxable income of the FSC. All other foreign trade income is treated as nonexempt income and is subject to taxation at U.S. corporate tax rates. In addition, all income of the FSC that is not foreign trade income (e.g., investment income) is subject to tax.

Small exporters have the option of electing small FSC status. A small FSC does not need to meet the foreign presence requirements noted above. However, the small FSC's foreign trading gross receipts may not be greater than \$5 million. If foreign trading gross receipts are greater than \$5 million, the small FSC must either elect regular FSC status or select those transactions to include in foreign trading gross receipts.

A FSC must file a Form 1120-FSC, U.S. Income Tax Return of a Foreign Sales Corporation. On the Form 1120-FSC, the FSC must report its foreign and nonforeign trade income calculations, tax computations, assets and liabilities, and certain other information. The information reported on the Form 1120-FSC is the basis for the data provided in this compendium for FSC's. The Statistics of Income Division conducted studies for FSC returns filed for 1985, 1986, and 1987. The next study will include returns filed for 1991.

Figure C contains selected financial data for all FSC's and regular FSC's for 1987. Although regular FSC's included only thirty-nine percent of all FSC returns filed, they accounted for over ninety-five percent of gross receipts, ninety-two percent of foreign trade income,

Figure C.—Foreign Sales Corporations, 1987

(Money amounts in millions of dollars)

Item	All Foreign Sales Corporations	Regular Foreign Sales Corporations
Number of returns.....	2,613	1,016
Total assets.....	\$5,563	\$5,017
Gross receipts.....	84,280	80,205
Total income		
Foreign trade.....	20,287	18,748
Non-foreign trade.....	207	15
Net income (less deficit).....	1,294	1,213
Taxable income.....	1,292	1,210
Total tax.....	507	479

ninety-three percent of taxable income and about ninety-five percent of the total tax. The remaining amounts are attributed to small FSC's.

Interest Charge-Domestic International Sales Corporations

An Interest Charge-Domestic International Sales Corporation (IC-DISC) is a domestic corporation that exports U.S. products. The IC-DISC was created in 1984 through amendments to the DISC provisions of the Internal Revenue Code to make them compatible with the requirements of the General Agreement on Tariffs and Trade. The IC-DISC is primarily intended to provide incentives to small exporters.[18]

To qualify to be an IC-DISC, at least ninety-five percent of a domestic corporation's assets must be qualified export assets and at least ninety-five percent of its gross receipts must be qualified export receipts.[19] Qualified export assets include export property and various other property related to exporting. Qualified export receipts include gross receipts from the sale of qualified export assets and various other income related to exporting.

In general, the IC-DISC is exempt from taxation. However, certain income of the IC-DISC is taxed to its shareholders. There are two components to the taxation of the shareholders of an IC-DISC. First, the shareholder is deemed to receive an annual taxable distribution from the IC-DISC equal to the shareholder's pro rata share of various income earned by the IC-DISC.[20] Second, with respect to income of an IC-DISC that is not deemed distributed, the shareholder of an IC-DISC must pay an interest charge on the shareholder's DISC-related deferred tax liability. This tax liability equals the shareholder's tax liability if deferred DISC income were included in the shareholder's gross

income minus the actual tax liability of the shareholder. In essence, the shareholder must pay interest on the tax liability that is being deferred because the IC-DISC's income is not being distributed to shareholders, and therefore, is not being taxed.

An IC-DISC must file a Form 1120-IC-DISC, Interest Charge Domestic International Sales Corporation Return. On the Form 1120-IC-DISC, the IC-DISC must report its income and deductions, tax computation, assets and liabilities, deemed and actual distributions to shareholders, and certain other information. The information reported on the Form 1120-IC-DISC is the basis for the data provided for IC-DISC's in this compendium. The Statistics of Income Division conducted a study of IC-DISC returns filed for 1985, 1986, and 1987. The next study will be for returns filed for 1991. Figure D contains selected data for IC-DISC returns for 1987.

Figure D.—Interest Charge-Domestic International Sales Corporations, 1987

(Money amounts in millions of dollars)

Item	1987
Number of returns.....	1,185
Total assets.....	\$911
Total export gross receipts.....	3,623
Total qualified export and nonqualified receipts.....	1,829
Net income (less deficit).....	257
Taxable income.....	258
Total amount deemed distributed.....	49

U.S. Possessions Corporations

Since the 1920's, the United States has provided incentives to U.S. corporations to encourage them to make employment-producing investments in U.S. possessions.[21] The Revenue Act of 1921 provided a tax exemption for all foreign-source income earned by certain eligible corporations. The Tax Reform Act of 1976 removed the exemption for income derived outside possessions in order to prevent the avoidance by possessions corporations of U.S. taxation on income from foreign countries. Rules for the treatment of income from intangible property were added to the Internal Revenue Code by the Tax Equity and Fiscal Responsibility Act of 1982.[22]

A possessions corporation may credit that portion of its U.S. tax attributable to the sum of (1) taxable income from sources outside the United States from the active conduct of a

business in a U.S. possession and (2) qualified possessions-source investment income.[23] To be eligible for the credit, a corporation must meet two requirements. First, at least eighty percent of the corporation's gross income over the eligible period must be from sources within a U.S. possession.[24] Second, at least seventy-five percent of the corporation's gross income must be from the active conduct of a trade or business in a U.S. possession.[25] If these requirements are met, the corporation may file a Form 5712, Election To Be Treated as a Possessions Corporation Under Section 936, electing to be treated as a possessions corporation.

A possessions corporation may credit the portion of its U.S. tax on possessions-source income. Possessions-source income includes income from the active conduct of a business in a U.S. possession and qualified possessions-source investment income. Qualified possessions-source investment income is generally gross income, net of properly allocable deductions, attributable to investments within a U.S. possession of funds derived from the active conduct of business in the same possession.

The Tax Equity and Fiscal Responsibility Act of 1982 added Code section 936(h) dealing with income from intangible property to the Internal Revenue Code. As a general rule, this section provides that income from intangible property is taxed on a pro rata basis to the U.S. shareholders of the possessions corporation, after the possessions corporation has received a reasonable profit for its costs attributable to the income from the intangible property.[26] The possessions corporation can elect out of this general rule and use an alternative method for allocating income from intangible property between the possessions corporation and related persons, provided that the possessions corporation maintains a significant business presence in a U.S. possession. The alternative methods are the cost-sharing method and the profit-split method. Under the cost-sharing method, the possessions corporation pays part of the cost of product area research incurred by the affiliated group.[27] Under the profit-split method, the possessions corporation's taxable income is equal to fifty percent of the affiliated group's combined taxable income derived from certain types of sales.

A possessions corporation that claims a possessions tax credit must file a Form 1120, U.S. Corporation Income Tax Return, along with an attached Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936. On the Form 5735, the possessions corporation determines its eligibility for the

possessions tax credit and computes the actual amount of the credit. On Schedule P of the Form 5735, the possessions corporation calculates its intangible income if it uses either of the two alternative methods noted above. Of the 516 possessions corporation returns filed for 1987, 233 returns included a Schedule P. The information provided on the Forms 1120 and 5735 forms the basis of the possessions corporation data. In addition, data from Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, filed by possessions corporations, are collected.

Figure E contains possessions corporation data for selected years between 1983 and 1987. Although the number of possessions corporations has decreased by over seventeen percent between 1983 and 1987, the total assets reported by these corporations has increased by over thirty-nine percent and total receipts has increased by forty-six percent. The income tax liability of possessions corporations increased by forty percent since 1983 and the possessions tax credit claimed has increased by about forty-two percent.

Figure E.—U.S. Possessions Corporations, 1983-1987

[Money amounts in millions of dollars]

Item	1983	1985	1987
Number of returns.....	625	594	516
Total assets.....	\$22,205	\$27,735	\$33,184
Total retained earnings.....	14,134	17,102	19,678
Total receipts.....	13,716	16,230	20,024
Business receipts.....	12,025	13,179	16,499
Net income (less deficit).....	4,396	5,359	7,068
Income subject to tax.....	4,376	5,336	7,075
Total income tax.....	2,008	2,455	2,820
Possessions tax credit.....	1,966	2,429	2,785

#### International Boycotts

U.S. persons who participate in certain international boycotts are denied various tax benefits that would otherwise be available to them. The purpose of the boycott provisions is to discourage U.S. persons from engaging in certain boycotts, such as the Arab League boycott against Israel.[28]

Extensive reporting requirements are imposed upon U.S. persons with operations in certain countries.[29] In general, a U.S. person must report on all operations located in or related to countries requiring participation in an international boycott, and countries which the person knows (or has reason to know) require

participation in or cooperation with a boycott as a condition of doing business. Also, a U.S. person must report on any operations that take part in or that are requested to take part in an international boycott. If a person takes part in an international boycott, all of that person's operations in the country requiring participation in the boycott are treated as connected to the person's participation in the boycott, unless the U.S. person can clearly demonstrate that a particular operation is a clearly separate and identifiable operation that is not connected with the boycott.

If a person is involved in an international boycott, that person may lose certain tax benefits ordinarily available to the taxpayer under the Internal Revenue Code. The taxpayer may choose between either of two benefit reduction methods: specifically attributable taxes and income method, and international boycott factor method. If the taxpayer can clearly identify the income and taxes related to specific operations, then the taxpayer can use the specifically attributable taxes and income method. With this method, tax benefits are reduced by the amount specifically attributable to operations participating in the international boycott. If the taxpayer is unable to specifically attribute income and taxes, it must use the international boycott factor method. The international boycott factor is the ratio of operations associated with carrying out a boycott in which the taxpayer participated to the worldwide operations of the taxpayer. This ratio is then used to reduce the tax benefits noted below.

The tax benefits affected by participation in an international boycott include a reduction in the foreign tax credit (if the international boycott factor method is used) or a reduction in foreign taxes eligible for credit (if the specifically attributable income and taxes method is used); a reduction in the deferral of income of a CFC (by increasing Subpart F income); a reduction in the exemption for the foreign trade income of a FSC; and a reduction in the deferral of income of an IC-DISC.

U.S. persons subject to the international boycotts provisions must file a Form 5713, International Boycott Report. On the Form 5713, the U.S. person must report its operations in boycotting countries, and any requests for, and acts of, participation in a boycott. If the person uses the international boycott factor method, it must compute the factor on Schedule A of the Form 5713. If the specifically attributable taxes and income method is used, the U.S. person must identify the specific income and tax amounts on Schedule B. Schedule C is used to compute the reduction in tax benefits. The information provided on Form 5713

is the basis of the international boycott data contained in this compendium. The Statistics of Income Division conducts a study of all Forms 5713 once every four years. Data for the most recent study, 1986, is included in this compendium. During intervening years, small studies including only those returns showing tax effects are conducted.

Figure F contains international boycott data for 1982 and 1986. Corporations filed the great majority of the information reports. Further, corporations bore all of the tax effects of international boycotts provisions. However, as the amounts in the Figure F indicate, the magnitude of the reduction in tax benefits has been declining.

Figure F.—International Boycott Participation, 1982, 1986

[Money amounts in thousands of dollars]

Item	1982	1986
Number of boycott reports filed		
All persons, total.....	2,822	2,104
Corporations.....	2,583	1,900
Individuals.....	118	100
Partnerships.....	95	83
Trusts and other persons.....	26	21
Number of returns with tax effect.....	87	40
Reduction in foreign taxes eligible for a foreign tax credit*.....	\$2,001	\$432
Reduction of foreign tax credit**.....	1,343	687
Subpart F boycott income.....	4,073	4,702
DISC boycott income.....	—	—
FSC boycott income.....	n/a	173

\*Represents the reduction in foreign taxes eligible for a foreign tax credit computed using the specifically attributable taxes and income method.

\*\*Represents the reduction in foreign tax credit computed using the international boycott factor method.

Note: All the returns with tax effects from international boycott participation were filed by corporations.

#### Individual Foreign Tax Credit and Foreign Earned Income Exclusion

Since the 1920's, the United States has provided certain tax benefits to U.S. citizens who earn income abroad. The foreign tax credit has been available to individuals since 1918. In 1926, the United States granted exclusions for all foreign income of U.S. citizens spending six months or more outside the United States. Numerous changes were subsequently made to the exclusion limiting its availability.[30] The purpose of the exclusion was to promote U.S. exports and encourage a U.S. presence abroad. The Foreign Earned Income Act of 1978 limited the exclusion to U.S. citizens residing in camps

in hardship areas. Other individuals were only allowed a deduction for excess costs of working abroad. In 1981, the law was changed to allow individuals to exclude a portion of income earned overseas.[31]

Presently, a taxpayer can exclude foreign earned income up to a specific limitation. Also, the taxpayer can exclude employer-provided housing costs or deduct housing costs that are not provided by an employer. In addition, a taxpayer can either credit foreign taxes against the U.S. tax liability or deduct foreign taxes from gross income. However, a taxpayer can not credit or deduct foreign taxes paid on income that was excluded from gross income.

Qualifying U.S. taxpayers can elect to exclude their foreign earned income and housing costs from foreign-source income.[32] To qualify for the exclusions, a U.S. taxpayer must meet two requirements. First, the taxpayer must have a tax home in a foreign country.[33] Second, the taxpayer must be either a U.S. citizen and a bona fide resident of a foreign country, or a U.S. citizen or resident and be physically present in a foreign country for 330 days in twelve consecutive months. A qualifying U.S. taxpayer may exclude any income that is both earned income and foreign-source. The foreign earned income exclusion is limited to the lesser of (1) foreign income earned during the appropriate period and (2) the exclusion limitation of \$70,000. In addition, an eligible U.S. taxpayer is entitled to exclude amounts paid by, or on behalf of, the taxpayer for housing costs, over a base housing amount. The base housing amount is sixteen percent of the salary of a GS-14 computed daily.[34] Also, a taxpayer who personally pays housing costs can take a housing cost deduction. This deduction may only be taken against self-employment income.

U.S. citizens and residents can either credit foreign taxes against their U.S. tax liability or deduct foreign taxes from their gross income. A taxpayer can only credit foreign income taxes or foreign taxes in lieu of income taxes. In addition, a taxpayer can not credit taxes on income excluded under the foreign earned income or foreign housing exclusions. A taxpayer must compute a limitation on the allowable foreign tax credit. The limitation is equal to the taxpayer's U.S. tax liability multiplied by the ratio of foreign-source taxable income to worldwide taxable income. The limitation must be computed separately for the following types of income: passive income, high withholding tax interest, financial services income, shipping income, dividends from an Interest Charge-Domestic International Sales Corporation (IC-DISC) or former DISC, distributions from a Foreign Sales Corporation (FSC) or former FSC, and all other

income.[35] Also, foreign taxes not allowed as a credit in one year can be carried back to two prior years or forward to up to five subsequent years.

An individual who excludes foreign earned income and housing costs must file a Form 2555, Foreign Earned Income, with the taxpayer's Form 1040, U.S. Individual Income Tax Return. An individual who claims a foreign tax credit must file a Form 1116, Computation of Foreign Tax Credit - Individual, Fiduciary, or Nonresident Alien Individual, with the taxpayer's Form 1040. The data contained on Forms 1040, 1116 and 2555 form the basis for the individual foreign tax credit and foreign earned income data. The Statistics of Income Division conducts a study of the individual foreign tax credit and foreign earned income once every four years. Data for the last two studies (for returns filed for 1983 and 1987) are contained in this compendium. The next study will include returns filed for 1991.

Figure G contains foreign earned income data for selected years between 1979 and 1987. Between 1983 and 1987, the total amount of exclusions and deductions for foreign earned income and foreign housing costs increased by about seven percent. However, an increase in the number of returns claiming an exclusion or deduction resulted in the average exclusion per return remaining about the same.

Figure G.—Foreign Earned Income, 1979-1987

(Money amounts in millions of dollars)

Item	1979	1983	1987
Number of returns.....	91,966	159,194	170,774
Adjusted gross income.....	\$3,220	\$2,612	\$4,581
Taxable income.....	2,817	2,121	3,423
Foreign earned income.....	3,710	7,186	8,190
Foreign earned income exclusion*.....	288	5,707	5,982
Foreign housing exclusion*.....	n/a	315	468
Foreign housing deduction*.....	n/a	13	17

\*For 1979, the foreign earned income exclusion was only available for persons living in a hardship area camp. No foreign housing exclusion or deduction was available.

Figure H contains individual foreign tax credit data for selected years between 1979 and 1987. Foreign-source income declined as a percentage of total taxable income during this period, decreasing from 26.7 percent for 1979 to 9.8 percent for 1987. Correspondingly, the foreign tax credit claimed declined as a percentage of the U.S. income tax, decreasing from 14.3 percent for 1979 to 6.1 percent for 1987.

Figure H.—Foreign Tax Credit Claimed on Individual Income Tax Returns, 1979-1987

(Money amounts in millions of dollars)

Item	1979	1983	1987
Number of returns.....	287,508	371,945	561,109
Adjusted gross income.....	\$18,815	\$30,234	\$72,483
Taxable income			
Total.....	15,019	23,523	56,682
Foreign-source.....	4,011	3,246	5,535
Foreign taxes available for credit.....	1,235	1,141	1,806
U.S. income tax before credits.....	5,905	8,217	16,996
Foreign tax credit claimed.....	842	617	1,036

Foreign Trusts

A trust is an arrangement whereby a trustee takes title to property for the purpose of protecting or conserving it for beneficiaries. A foreign trust is a trust the income of which, from foreign sources, is not includible in gross income under Subtitle A of the Internal Revenue Code. The criteria used to determine whether a trust is foreign include the residence of the trustee, the place where the trust is formed, the place of administration of the trust, the governing law (if the trust instrument designates governing law), and the nationality of the grantor and beneficiary.

Whether a foreign trust is subject to U.S. taxation depends upon the type of trust involved. If the foreign trust is a grantor trust, the grantor is considered the owner of the corpus of the trust and the trust's income is included in the grantor's taxable income.[36] The grantor is treated as the owner of the trust corpus in situations where the grantor retains certain powers over, or interests in, the trust. In addition, a foreign trust is treated as a grantor trust if it has a U.S. beneficiary.

If the foreign trust is a non-grantor trust, then the income of the foreign trust is taxed under the general rules applicable to nonresident aliens.[37] If the foreign trust is not engaged in a trade or business within the United States, it is subject to the thirty percent withholding tax on fixed or determinable, annual or periodical income. Also, the trust is subject to the ten percent tax on the gain from the sale or exchange of a U.S. real property interest. If the trust is engaged in a trade or business within the United States, it is taxed at regular U.S. rates on income effectively connected with the U.S. trade or business.

In addition, transfers by a U.S. person to a foreign trust are subject to an excise tax under Code section 1491. A thirty-five percent tax is imposed on the excess of the fair market value of transferred property over the sum of the adjusted basis plus the gain recognized at the time of the transfer by the transferor. However, certain transfers are not subject to the excise tax.

In general, a U.S. person who creates, or transfers property to, a foreign trust must file a Form 3520, Creation of or Transfers to Certain Foreign Trusts. On the Form 3520, the U.S. person must provide information regarding the nature of the foreign trust, the identity of the beneficiary, and the value of the property transferred. Every year thereafter, the U.S. person must file a Form 3520-A, Annual Return of Foreign Trust With U.S. Beneficiaries, as long as the trust has at least one U.S. beneficiary. On the Form 3520-A, the U.S. person must provide information regarding the income, expenses, assets, and liabilities of the foreign trust. Once every four years, the Statistics of Income Division conducts a study of Forms 3520 and 3520-A filed for the year at the Philadelphia Service Center. The last study included returns filed during 1986. The next study will be conducted for returns filed for 1990.

Figure I contains data for foreign trusts for selected years between 1978 and 1986. The number of transfers to foreign trusts decreased by 34.6 percent between 1978 and 1986. However, the average value of assets transferred increased by 36.0 percent during this same period.

III. ACTIVITY OF FOREIGN PERSONS IN THE UNITED STATES

Domestic Corporations Controlled by Foreign Persons

One means for a foreign person to establish a business within the United States is to acquire an interest in a domestic U.S. corporation. This acquisition can be in the form of an acquisition of the stock of an existing domestic corporation or the formation of a new domestic corporation.

Foreign-owned domestic corporations are subject to the corporate tax rules that apply to all domestic corporations. Foreign-owned corporations are subject to U.S. tax, along with all domestic corporations, under Code section 11. The tax rates imposed are graduated up to forty-six percent (for taxable income over \$100,000) for taxable years beginning before July 1, 1987, and thirty-four percent (for

Figure I.—Foreign Trusts: Transfer Activity, 1978-1986

[Money amounts in thousands of dollars]

Item	1978	1982	1986
Number of Forms 3520 filed.....	390	338	255
Number individuals filing			
Total.....	390	324	255
Grantor.....	334	216	182
Transferor.....	56	63	69
Other.....	—	35	4
Value of assets transferred.....	\$18,998	\$9,756	\$16,892

\*Includes returns indicating filer was both grantor and transferor.

taxable income over \$75,000) for taxable years beginning after July 1, 1987.[38]

All domestic corporations must file a Form 1120, U.S. Corporate Income Tax Return. On the Form 1120, the corporation must indicate whether any person owned at least fifty percent of the corporation's stock. In addition, the corporation must indicate whether the fifty percent or more owner is a foreign person, and, if so, provide the country of the foreign person and the percent of stock owned by the foreign person. The data included in this compendium are for corporations that indicated fifty percent or more foreign ownership.

Figure J contains data for the returns of foreign-controlled domestic corporations filed for 1983 through 1987. The number of foreign-controlled domestic corporations increased by over thirty-three percent between 1983 and 1987. Assets and receipts increased by over seventy-five percent. However, taxable income of foreign-controlled domestic corporations increased by only thirty-five percent and the income tax liability of these corporations increased by only seventeen percent.

Figure J.—Domestic Corporations Controlled by Foreign Persons, 1983-1987

[Money amounts in millions of dollars]

Item	1983	1984	1985	1986	1987
Number of returns.....	33,622	37,401	36,677	36,778	44,862
Total assets.....	\$530,334	\$552,598	\$655,696	\$840,983	\$959,394
Total receipts.....	389,909	459,162	513,778	542,695	686,786
Business receipts.....	359,793	423,602	473,893	497,304	632,731
Total deductions.....	387,981	454,642	510,955	544,273	681,349
Cost of sales and operations.....	271,373	320,857	357,520	370,779	481,645
Net income (less deficit).....	1,849	4,528	2,978	(1,519)	5,608
Income subject to tax.....	10,707	13,411	11,428	9,370	14,477
Income tax before credits.....	4,849	6,050	5,152	4,070	5,676
Foreign tax credit.....	671	788	725	484	660
Distributions to stockholders.....	4,327	3,322	3,529	5,819	12,484

Foreign Corporations With Income Derived From U.S. Sources

A foreign person can engage in business activity within the United States through a branch of a foreign corporation. A foreign corporation engaged in a U.S. trade or business through branch operations is taxed in manner similar to a U.S. person on all income that is effectively connected with the conduct of the U.S. trade or business.[39] For income to be taxed in this manner, the foreign corporation must engage in an activity which constitutes a business and the income taxed must be effectively connected with the conduct of the business. Effectively connected income can be either U.S. or foreign-source. Effectively connected income generally includes all U.S.-source income regardless of whether it is in fact attributable to the U.S. business. Effectively connected income can also include certain types of foreign-source income, including certain rents and royalties for the use of, and gains on the sale of, intangible intellectual property derived from the U.S. trade or business. However, in order for foreign-source income to be effectively connected income, the foreign corporation must have an office or fixed place of business within the United States to which the foreign income is attributable.

A foreign corporation engaged in a U.S. trade or business must file a Form 1120F, U.S. Income Tax Return of a Foreign Corporation. On the Form 1120F, the foreign corporation must report its effectively connected income, income that is not effectively connected, assets and liabilities, and the computation of the corporation's regular income tax and branch profits tax. The Statistics of Income Division conducts an annual study of all Forms 1120F filed as part of the study conducted for regular corporate income tax returns.

Figure K.—Foreign Corporations With Income Derived from U.S. Sources, 1983-1987

[Money amounts in millions of dollars]

Item	1983	1984	1985	1986	1987
Number of returns.....	8,001	10,905	11,693	11,342	10,478
Total receipts.....	\$20,794	\$43,656	\$50,909	\$43,626	\$61,004
Business receipts.....	5,477	15,446	20,275	15,752	19,971
Interest.....	13,567	25,939	27,199	24,293	37,934
Dividends from domestic corporations.....	65	65	87	66	43
Total deductions.....	21,882	45,004	51,928	43,739	61,130
Cost of sales and operations.....	3,723	12,552	15,032	11,802	11,728
Taxes paid.....	272	466	514	493	608
Interest paid.....	13,460	24,791	25,719	23,562	36,611
Net income (less deficit).....	(1,118)	(1,513)	(1,487)	(139)	(162)
Income subject to tax.....	469	902	1,025	1,818	1,647
Income tax before credits.....	183	393	435	688	670
Foreign tax credit.....	25	59	65	118	53

Figure K contains selected data for foreign corporations with income derived from U.S. sources for 1983 through 1987. The number of returns filed increased by about thirty percent during this period. However, total receipts of these foreign corporations increased by over 193 percent and taxable income increased by over 251 percent.

Foreign Recipients of U.S. Income

A foreign person who makes investments within the United States is subject to tax on the income received, even though the income is not effectively connected to a trade or business within the United States. The United States imposes a thirty percent withholding tax on gross investment income received by a foreign person from sources within the United States.[40] This tax must be withheld by the U.S. payer of the income. The U.S. payer of the income must withhold the tax on the income and transmit it to the U.S. Treasury on behalf of the foreign recipient. If the payer should have withheld the tax but failed to do so, the payer is liable for the amount of the tax.

The income subject to the withholding tax includes income that is fixed or determinable annual or periodical (e.g., dividends, interest, rents, royalties, and wages) and certain other income paid to foreign persons. There are several significant exceptions to the withholding tax. First, the provisions of an applicable income tax treaty may reduce or entirely eliminate the tax. Second, income effectively connected with a trade or business within the United States is not subject to the withholding tax. Effectively connected income instead is subject to the regular income tax rates imposed on U.S. persons. Third, in

general, most interest received by a nonresident alien or foreign corporation from sources within the United States is not subject to the withholding tax.[41]

The U.S. withholding agent must file a Form 1042S, Foreign Person's U.S. Source Income Subject to Withholding, for each foreign recipient of U.S. income. On the Form 1042S, the withholding agent must report the name, address and country of residence of the foreign recipient; the type and amount of income paid; and the amount of tax withheld. The data reported on the Form 1042S is the basis of the data included in this compendium.

Figure L contains data filed on Form 1042S for selected years between 1978 and 1988. During this period, the number of Forms 1042S filed has increased by about 104 percent. During this same period, income paid to foreign persons increased by over 615 percent. In addition, the amount of income subject to withholding declined from 77.9 percent of total income paid in 1978 to only 41.1 percent in 1988. Therefore, the total tax withheld increased by only 218.0 percent, about one-third the rate of increase in income paid to foreign persons.

U.S. Partnership Income of Foreign Partners

A partnership that has effectively connected taxable income, any portion of which is allocable to a foreign partner, must withhold tax on the foreign partner's share of the income.[42] This withholding requirement was enacted in 1986 because Congress was concerned that a foreign person investing in a U.S. partnership might be able to avoid U.S. taxation

Figure L.—Foreign Recipients of U.S. Income, 1978-1988

[Money amounts in thousands of dollars]

Tax Year	Number of Forms 1042S Filed	Income paid		Total tax Withheld
		Total	Subject to Withholding	
1978.....	645,125	\$4,451,059	\$3,469,462	\$552,427
1980.....	608,781	6,576,375	4,402,559	686,208
1982.....	565,091	10,624,310	5,952,126	848,874
1984.....	780,708	17,106,632	7,738,490	1,057,453
1986.....	1,076,088	21,814,442	9,233,809	1,223,741
1988.....	1,315,406	31,845,694	13,095,878	1,759,267

on effectively connected income earned by the foreign person through the partnership.[43]

The withholding tax is imposed on the foreign partner's share of the partnership's effectively connected taxable income. Effectively connected taxable income includes gross income effectively connected with the conduct of a trade or business within the United States, net of allowable deductions connected to that income.

The withholding tax imposed is equal to the highest tax rate under Code section 1 (in the case of a noncorporate foreign partner), or the highest tax rate under Code section 1(b)(1) (in the case of a corporate foreign partner), multiplied by the effectively connected taxable income allocable to the foreign partner. The foreign partner may credit the tax paid by the partnership against the partner's U.S. income tax liability.[44]

The U.S. partnership must file a Form 8804, Annual Return for Partnership Withholding Tax, to report the partnership's total tax liability under Code section 1446. In addition, the partnership must file a Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, reporting each foreign partner's amount of effectively connected taxable income and tax liability. A copy of the Form 8805 for each foreign partner must be attached to the Form 8804 filed by the partnership. A second copy of the Form 8805 must be provided by the partnership to the foreign partner, who must attach it to its U.S. income tax return in order to claim a credit for the tax withheld. Form 8813, Partnership Withholding Tax Payment, is used to make payment of the Code section 1446 withholding tax and must be filed with the tax payments four times a year. The information provided on Forms 8804, 8805 and 8813 is the basis for the data contained in this compendium for the U.S. partnership income of foreign partners. The Statistics of Income Division conducts an annual study of information filed on Forms 8804, 8805

and 8813. The first study included forms filed for 1989.

#### Nonresident Alien Estates

The United States imposes an estate tax on the taxable U.S. estates of nonresident aliens.[45] A nonresident alien is a person with a non-U.S. domicile. A nonresident alien decedent's taxable estate is determined by reducing the nonresident alien's gross U.S. estate by allowable deductions. Gross U.S. estate is that part of the nonresident alien's gross estate that is located in the United States at the time of the alien's death. Allowable deductions include funeral expenses, administration expenses, claims against the estate, indebtedness on property included in the estate, losses incurred during the settlement of the estate from casualty or theft, certain charitable contributions made by the decedent, and certain transfers of property to the decedent's spouse. The estate is allowed several credits to reduce the estate tax liability. Allowable credits include the unified credit (exempting estates of up to \$60,000 from tax), the credit for State death taxes, the credit for taxes paid on certain gifts, and the credit for taxes on prior transfers.

The estate of a nonresident alien decedent must file a Form 706NA, United States Estate (and Generation-Skipping Transfer) Tax Return, Estate of nonresident not a citizen of the United States, within 9 months of the nonresident alien's death. On the Form 706NA, the estate must list the value of all property included in gross U.S. estate. In addition, the estate must report the value of property located outside the United States in order to claim most deductions.

Figure M contains data for Forms 706NA filed in 1982 and 1986. Although the number of returns filed decreased slightly, the size of the estates increased substantially. Gross U.S. estate increased by 31.6 percent during this period and the estate tax liability increased by 69.4 percent.

Figure M.—Nonresident Alien Estates, 1982, 1986

[Money amounts in thousands of dollars]

Item	1982	1986
Number of returns.....	169	161
Gross worldwide estate.....	\$148,013	\$239,611
Gross U.S. estate.....	47,135	62,017
Taxable U.S. estate.....	41,382	53,934
Estate tax after credits.....	3,850	6,520

Figure N.—Future Studies Planned for the International Area by the Statistics of Income Division, 1988-1993

Study	1988	1989	1990	1991	1992	1993
Corporate Foreign Tax Credit*.....	X	-	X	X	X	X
Controlled Foreign Corporations.....	X	-	X	-	X	-
Foreign Sales Corporations.....	-	-	-	X	-	-
Interest Charge-Domestic International Sales Corporations.....	-	-	-	X	-	-
U.S. Possessions Corporations.....	-	X	-	-	-	X
International Boycotts**.....	X	X	X	X	X	X
Individual Foreign Tax Credit and Foreign Earned Income.....	-	-	-	X	-	-
Foreign Trusts.....	-	-	X	-	-	-
Domestic Corporations Controlled by Foreign Persons.....	X	X	X	X	X	X
Foreign Corporations With Income Derived from U.S. Sources.....	X	X	X	X	X	X
Foreign Recipients of U.S. Income.....	X	X	X	X	X	X
U.S. Partnership Income of Foreign Partners.....	-	X	X	X	X	X
Nonresident Alien Estates.....	-	-	X	-	-	-
Foreign-Owned Corporations.....	X	X	X	X	X	X
Sales of U.S. Real Property Interests by Foreigners.....	X	X	X	X	X	X
Excluded Income from U.S. Possessions***.....	-	-	-	-	-	-

\*The 1988, 1991, and 1993 Corporate Foreign Tax Credit studies are limited to type of income summary data only. No country information will be included in these studies.

\*\*The 1988, 1989, 1991, 1992, and 1993 International Boycott studies are limited to only those returns showing a denial of tax benefits. The 1990 International Boycott study will include data for all returns with a Form 5713 attached.

\*\*\*The Excluded Income from U.S. Possessions study will next be done when the United States concludes implementing agreements with American Samoa, Guam, and the Northern Mariana Islands.

#### IV. PLANS FOR FUTURE STUDIES

All of the international studies conducted by the Statistics of Income Division discussed above are presently planned to be done in the future as well. Figure N contains information relating to the studies being conducted between 1988 and 1993.

In addition to the studies described above, several other studies are planned for the period between 1988 and 1993. One new study relates to the transactions of foreign-owned corporations. Foreign-owned U.S. and foreign corporations with a trade or business within the United States must file a Form 5472, Information Return of a Foreign Owned Corporation, for each related party with which the foreign-owned corporation has transactions.[46] On the Form 5472, the filing corporation must provide information identifying the related party, and the amount and the nature of the transactions between the filing corporation and the related party. The first study, which is presently being conducted, includes Forms 5472 filed by selected corporations for 1988. This study will be conducted annually in the future.

Another new study deals with the information filed for the sales of U.S. real property interests by foreigners. In general, a ten percent withholding tax is imposed on the amount realized by a foreign person from the disposition of a U.S. real property interest.[47] The buyer (or other transferee) of a U.S. real property interest must withhold the amount of tax from the amount paid to the foreign seller of the property interest. The

buyer must file a Form 8288, U.S. Withholding Tax Return for Dispositions by Foreign Persons of U.S. Real Property Interests, to report the transaction and transmit the amount of tax withheld. A study of Forms 8288 filed for 1989 is presently being conducted. This study will be conducted annually in the future.

In addition to the new studies noted above, the Excluded Income from U.S. Possessions study may be conducted again in the future. A U.S. citizen who is a bona fide resident of certain U.S. possessions may exclude from gross income any income from the possession that is effectively connected with the conduct of a trade or business within the possession.[48] The eligible possessions include American Samoa, Guam, and the Northern Mariana Islands. Before this exclusion is available to residents of a possession, an implementing agreement between the United States and the possession must be concluded. To date, agreements with American Samoa and Guam have been concluded. This study will next be done when agreements are reached with all three eligible possessions.

#### NOTES AND REFERENCES

- [1] A citizen of the United States is any U.S. citizen regardless of where the individual resides. In addition, under section 877 of the Internal Revenue Code, a U.S. expatriate may be taxed as a U.S. citizen in certain cases. A resident of the United States is, in general, an individual who is a lawful permanent resident of the United States, or

who has been substantially present in the United States for the past three years. A domestic partnership or corporation is a partnership or corporation that is created or organized in the United States or under the laws of the United States or any State. A foreign trust or estate is a trust or estate whose non-effectively connected foreign-source income is not included in gross income under the provisions of Subtitle A of the Internal Revenue Code. See Code section 7701 for more information regarding the definition of U.S. and foreign person.

- [2] McDaniel, Paul R. and Ault, Hugh J., Introduction to United States International Taxation, Kluwer, 1977.
- [3] The foreign tax credit provisions are contained in Code sections 901-908 and 960. Foreign persons are generally allowed a credit for foreign income taxes paid on income effectively connected with the conduct of a trade or business within the United States.
- [4] See, for example, Edward H. Lieberman, "Whether and to what extent a foreign tax is creditable under final Regulations," The Journal of Taxation, February 1984, pp. 98-102.
- [5] A tax is an income tax in the U.S. sense if the tax is likely to reach net gains.
- [6] Section 904(d) interest income generally included passive interest income.
- [7] Passive income is income that is generally considered foreign personal holding company income or passive foreign investment income. However, passive income does not include any income that would be in any other basket (except the all other income basket), export financing interest, any income taxed at a rate greater than the highest U.S. tax rate, and any foreign oil and gas extraction income.
- Financial services income is generally income derived in the active conduct of a banking, insurance, financing, or similar business. Financial services income does not include high withholding tax interest or export financing interest.
- High withholding tax interest is any interest subject to a withholding tax of at least five percent, but not including any export financing interest.
- Shipping income includes any income received by a person which would be foreign base company shipping income under Code section 954(f).

Dividends from a noncontrolled Section 902 corporation includes dividends from a foreign corporation of which the taxpayer owns between ten and fifty percent of the voting stock. The foreign tax credit limitation for dividends from a noncontrolled Section 902 corporation must be computed separately for each noncontrolled Section 902 corporation paying dividends to the domestic corporation.

- [8] Barlow, Mary, "Foreign Tax Credit by Industry, 1982," Statistics of Income Bulletin, Spring 1986, pp. 9-18.
- [9] In certain cases, a corporation's separate existence may be disregarded for tax purposes. For example, a subsidiary corporation's separate existence is disregarded if it files as part of a consolidated income tax return with its parent corporation under Code section 1504(a).
- [10] This is particularly true when the corporation is located in a relatively low tax country.
- [11] The Subpart F provisions are contained in Code sections 951-964. See, for example, Kaplan, Richard L., Federal Taxation of International Transactions, West Publishing Co., 1988, p. 216.
- [12] Insurance income includes any income from insuring risks located outside the CFC's country of incorporation that would be taxed under Subchapter L of the Internal Revenue Code if the CFC were a domestic insurance company.
- Foreign base company income includes the following income:
- (1) Foreign personal holding company income, which includes mostly passive investment income;
  - (2) Foreign base company sales income, which includes income from the sale of personal property produced outside the CFC's country of incorporation and sold for use outside the CFC's country of incorporation, where the property was purchased from or sold to (or on behalf of) a related party;
  - (3) Foreign base company services income, which includes certain income from the performance of services outside the CFC's country of incorporation for (or on behalf of) a related person;
  - (4) Foreign base company shipping income, which includes income connected with air or sea transportation between two countries, and, for tax years beginning after 1986, income connected with all space and ocean

activity; and

- (5) Foreign base company oil related income which generally includes income related to the processing, transportation or distribution of oil and gas and their primary products.
- [13] The filing requirements are contained in Code section 6038.
- [14] U.S. Department of the Treasury, The Operation and Effect of Domestic International Sales Corporation Legislation, July 1, 1981 to June 30, 1983, February 1988 [hereinafter DISC Report].
- [15] The FSC provisions are contained in Code sections 921-927.
- [16] Foreign trading gross receipts are gross receipts from the sale or lease of export property for use outside the United States and from the performance of various services outside the United States.
- [17] Transfer pricing rules apply to sales to a FSC from a person described in Code section 482.
- [18] DISC Report, *op. cit.* note 14, at pp. 2-5.
- [19] The IC-DISC provisions are contained in Code sections 991-997.
- [20] The deemed distribution includes, among other items, taxable income of the IC-DISC attributable to qualified export receipts which exceed \$10 million.
- [21] U.S. Congress, Committee on Ways and Means, Report of the Committee on Ways and Means, U.S. House of Representatives, on H.R. 10612, Report No. 94-658, November 12, 1975, p. 255.
- [22] U.S. Department of the Treasury, The Operation and Effect of the Possessions Corporation System of Taxation, Sixth Report, March 1989.
- [23] The possessions corporations provisions are contained in Code section 936.
- [24] The eligible period is the three year period immediately preceding the close of the taxable year for which the credit is taken, or a lesser period, if appropriate.
- [25] For taxable years beginning before 1983, at least fifty percent of the corporation's gross income had to be from the active conduct of a trade or business in a U.S. possession. This requirement was raised to fifty-five percent for taxable years beginning during 1983, sixty percent for taxable years beginning during 1984, sixty-five percent for taxable years beginning during 1985, and seventy-five percent for taxable years beginning after 1985. See Hartzok, Jeff, "U.S. Possessions Corporation Returns, 1983," Statistics of Income Bulletin, Spring 1988, Vol. 7, No. 2, p. 57.
- [26] Intangible property includes patents, inventions, copyrights, trademarks, licenses, and similar items, which have substantial value independent of the services of any individual.
- [27] An affiliated group is a possessions corporation and all other organizations, trades or businesses owned or controlled directly or indirectly by the same interests.
- [28] U.S. Department of the Treasury, The Operation and Effect of the International Boycotts Provisions of the Internal Revenue Code, Third Report, May 1982; Mose, Vergie, "Report on International Boycotts 1976-82: Focus On the Middle East," Statistics of Income Bulletin, Summer 1985, Vol. 5, No. 1, pp. 65-81.
- [29] The international boycotts provisions are contained in Code section 999.
- [30] Gene A. Knorr, "Foreign Earned Income - Policy Improved But Not Resolved," The Tax Executive, April 1979, reprinted in U.S. Senate, Committee on Finance, Subcommittee on Taxation and Debt Management Generally, Taxation of Foreign Earned Income, June 26, 1980, pp. 34-46.
- [31] U.S. Senate, Committee on Finance, Economic Recovery Tax Act of 1981, Report No. 97-144, July 6, 1981, pp. 34-36.
- [32] The provisions relating to these exclusions are contained in Code section 911.
- [33] Generally, an individual's tax home is the location of the individual's principal place of business or employment.
- [34] For 1987, the daily base housing amount was \$19.48.
- [35] See note 21 for definitions of these income types.
- [36] The grantor trust provisions are contained in Code sections 671-679.
- [37] A non-grantor trust is a trust that is not subject to the provisions of Code sections 671-679.

- [38] For additional information regarding the taxation of U.S. corporations, see Abrams, Howard E. and Doernberg, Richard L., Federal Corporate Taxation, Foundation Press, 1990.
- [39] The major provisions related to the taxation of foreign corporations are contained in Code sections 881-885.
- [40] These tax provisions are contained in Code sections 871, 881, 1441, and 1442.
- [41] Flaherty, Marilyn J., "Foreign Recipients of U.S. Income, and Tax Withheld, 1987," Statistics of Income Bulletin, Winter 1989-90, Vol. 9, No. 3, p. 42.
- [42] The provisions relating to the tax on the partnership income of foreign partners are contained in Code section 1446.
- [43] U.S. Congress, Joint Committee on Taxation, General Explanation of the Tax Reform Act of 1986, JSC-10-87, May 4, 1987, p. 1055. Code section 1446 was originally added to the Internal Revenue Code by the Tax Reform Act of 1986. The provisions were substantially modified by the Technical and Miscellaneous Revenue Act of 1988.
- [44] Since the withholding tax is imposed to ensure that the foreign partner's U.S. tax on effectively connected income is paid, a credit is allowed under Code section 33 for the tax withheld by the partnership.
- [45] The provisions related to the estate taxation of nonresident aliens are contained in Code sections 2101-2108.
- [46] This reporting requirement is imposed under Code sections 6038A and 6038C.
- [47] This tax is imposed under Code section 897.
- [48] The exclusion provisions are contained in Code section 931.

## Section 2 Corporate Foreign Tax Credit

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The corporate foreign tax credit enables corporations to avoid being taxed twice on income earned in foreign countries. The United States taxes all income earned by U.S. corporations, whether the income is earned in the United States or abroad. The threat of double taxation arises when foreign income is also taxed by the country where it was earned. Beginning with the Revenue Act of 1918, the United States has allowed corporations to credit foreign income taxes paid or accrued against their U.S. income tax liability. Also, corporations are allowed to credit foreign taxes paid by foreign subsidiaries. A limitation is imposed on the foreign tax credit equal to what the U.S. tax would be on the foreign income. The papers presented in this section give a more detailed discussion of the foreign tax credit. These papers are listed above.

Section 15 of this compendium contains copies of the selected tax forms and instructions which provide the basis of the foreign tax credit data.

\* Form 1120, U.S. Corporation Income Tax Return, and Instructions (p. 459)

\* Form 1118, Computation of Foreign Tax Credit, Corporations, and Instructions (p. 444)

# Corporate Foreign Tax Credit, by Industry, 1984

By Vergie Mose\*

U.S. companies paid over \$23.3 billion to foreign governments in income taxes and reduced their U.S. income tax by \$21.4 billion for 1984 [1,2]. The foreign tax credit fluctuated from 1980-1985 like the sway of a pendulum (see Figure A) [3]. The credit began declining from \$24.9 billion for 1980, dropping to \$18.9 billion for 1982 (its lowest level), and then rising to \$24.3 billion for 1985 (nearly returning to the 1980 amount) [4]. The U-shaped pattern of the foreign tax credit reflects the changing levels of both foreign and domestic profits of U.S. companies between 1980 and 1985.

## OVERVIEW

Using growth in taxable income as an indication of profits, economic recovery from 1982 to 1984 can be measured for both foreign and domestic business activities. Domestic-source taxable income of all U.S. companies can be estimated by subtracting the foreign-source taxable income reported by U.S. corporations claiming a foreign tax credit from the worldwide taxable income of all U.S. companies [5].

Foreign economic recovery of U.S. companies from 1982 to 1984 was only one-fifth as strong as their domestic recovery. Foreign-source taxable income rose by only 7 percent from 1982 to \$63.6 billion for 1984. Domestic-source taxable income rose by 34 percent from 1982 to \$195.9 billion for 1984.

Not until 1984 did the worldwide taxable income of U.S. corporations (\$259.5 billion) rise to a level above that for 1980 (\$246.6 billion). This rise was due to the \$19.8 billion increase in domestic-source taxable income, as foreign-source taxable income for 1984 remained \$6.9 billion below the 1980 income level. Growth in worldwide taxable income continued for 1985 to \$266.1 billion.

As worldwide taxable income increased, the total U.S. corporate tax liability (before credits) rose from \$87 billion for 1982 to over \$109 billion for 1984. For both years, 1.2 million corporations had a U.S. income tax obligation (before credits). Only 0.4 percent of those companies (4,841 for 1984) claimed a

Figure A.—Foreign Tax Credit Claimed and Percentage Change, by Selected Industry, 1980–1985

(All figures are estimates based on samples—money amounts are in millions of dollars)

Selected industry	1980	1981	1982	Percentage change 1980 to 1982	1983	1984	1985	Percentage change 1980 to 1985
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries.....	\$24,880	\$21,829	\$18,932	-23.9%	\$19,951	\$21,420	\$24,263	-2.5%
Agriculture, forestry and fishing.....	7	3	2	-74.6	3	12	57	665.2
Mining, total.....	1,964	1,959	1,611	-18.0	1,053	1,165	1,079	-45.1
Oil and gas extraction.....	1,822	1,901	1,589	-12.8	1,047	1,069	990	-45.7
Construction.....	151	108	175	16.1	119	86	145	-4.2
Manufacturing, total.....	19,192	17,737	14,776	-23.0	16,439	17,490	20,002	4.2
Chemicals and allied products.....	1,721	2,250	1,809	5.1	2,207	2,414	2,741	59.3
Petroleum (including integrated) and coal products.....	11,028	9,094	7,362	-33.2	8,725	8,496	10,137	-8.1
Machinery, except electrical.....	2,331	2,229	1,594	-31.6	2,209	2,259	3,028	29.9
Transportation and public utilities.....	462	228	255	-44.9	221	354	302	-34.7
Wholesale and retail trade.....	1,525	420	436	-71.4	309	482	613	-59.8
Finance, insurance, and real estate, total.....	1,397	1,190	1,458	4.4	1,682	1,627	1,777	27.2
Banking.....	1,061	936	1,173	10.6	1,246	1,340	1,313	23.7
Services.....	181	183	220	21.4	123	203	286	58.0

Note: 1980, 1982, and 1984 data are based on the SOI Corporation Foreign Tax Credit Study; 1981, 1983, and 1985 data are based on the annual SOI Corporation Income Tax Return Study.

\*Foreign Returns Analysis Section. Prepared under the direction of Chris Carson, Chief

U.S. tax credit for taxes paid to foreign countries. The foreign tax credit reduced the total 1984 U.S. corporate income tax by 20 percent to \$87 billion, the smallest percentage reduction during the 1980-1985 period. The largest percentage reduction of the total U.S. corporate income tax during this period occurred for 1980, a 24-percent reduction.

Throughout the first half of the 1980's (and earlier years as well) corporations primarily engaged in manufacturing activities claimed over 75 percent of the total foreign tax credit, reaching a high of 82 percent from 1983 through 1985. The predominance of manufacturing reflected the activities of integrated petroleum companies. The business activities of these companies included the extracting, refining, and marketing of oil products.

Of the 4,841 U.S. corporation income tax returns with a foreign tax credit for 1984, only 25 returns showed integrated petroleum activities as their primary business. However, these 25 companies claimed \$8.5 billion of foreign tax credit or 40 percent of the total credit. The foreign tax credit of these companies reduced the total U.S. income tax of all integrated petroleum companies by two-thirds, from \$12.8 billion to \$4.3 billion.

#### FOREIGN TAX CREDIT: A GLOBAL VIEW OF TAXATION

U.S. corporations are subject to U.S. tax on their worldwide income. Income earned by these companies in a foreign country is generally taxed by the foreign country as well as by the United States and could result in double taxation. To alleviate this, U.S. tax law has allowed corporations a credit since 1918 to reduce U.S. income tax for the income taxes paid to foreign countries.

Changes in the foreign tax credit provisions of U.S. tax law often parallel the development of U.S. business activities in the interdependent global economy [6]. When modern U.S. income taxation began in 1913, some U.S. corporations had operations in countries where income tax rates exceeded the U.S. tax rate. Because the foreign taxes exceeded what the U.S. taxes would have been, corporations were able to use the excess foreign taxes to reduce their U.S. tax on both foreign-source and domestic-source income by claiming a foreign tax credit. This situation was possible because there had been limitation on the credit: foreign income taxes paid

could reduce the U.S. income tax on a dollar-for-dollar basis.

Responding to this issue, the Revenue Act of 1921 placed a limitation on the foreign tax credit, which remains in effect today. The limitation restricted the credit for foreign income taxes to the lesser of (1) the U.S. tax on foreign-source taxable income, or (2) the actual foreign income taxes paid. Thus, the credit cannot exceed that percentage of U.S. income tax represented by the ratio of foreign-source taxable income to worldwide taxable income. If a corporation has an overall foreign loss, then the limitation is zero (no credit). In the case of a worldwide loss, the corporation has no U.S. income tax against which to claim a credit.

As international business activities became more varied, so, too, did the methods of restricting the foreign tax credit. The methods acted as a means of adjusting for global variation in income tax rates as well as variation in international business practices. For example, interest from certain foreign investments was taxed at either very low rates or not at all in some countries. Other types of foreign income, however, were often taxed at rates higher than the U.S. rate. By combining the "passive" foreign interest income (and lower foreign taxes paid) with other types of foreign income (on which the tax was higher), more of the foreign taxes that exceeded the U.S. tax rate could be credited against the U.S. income tax because the limitation was increased by the interest income. The different types of income could be generated in countries with different tax rates, or within one country which had various tax rates for different types of income.

The U.S. Congress responded by establishing separate limitations on the foreign tax credit based on several different categories of foreign income. The separate categories of income limited the foreign taxes to the specific income category to which they were related. For 1984, the separate limitations on the foreign tax credit were computed for (1) "passive foreign interest income," as defined in section 904(d) of the Internal Revenue Code; (2) dividends from a Domestic International Sales Corporation (DISC) or former DISC; and (3) all other income from foreign sources [7].

The former separate limitation for "foreign oil-related income" was discontinued for tax years after 1982. However, the separate limitation on foreign

taxes paid on foreign oil and gas extraction income was still required. Under this limitation, foreign taxes paid on foreign oil and gas extraction income in excess of the U.S. tax on such income were excluded from the "current-year foreign taxes" (see the "Definitions" section of this article) for computing the foreign tax credit.

Carryover provisions for foreign taxes applied to the separate limitations of the foreign tax credit. Any foreign taxes paid, accrued, or deemed paid, in excess of a current-year separate limitation could be carried back 2 years, then forward 5 years [8]. The total taxes under each separate limitation ("total foreign taxes available for credit before reduction," in the statistics) included current-year foreign taxes plus taxes that were carried forward from prior years.

The total foreign tax credit for 1984 was the sum of the amounts computed using the three separate limitations (previously noted). In some instances, the total credit was reduced for participation in, or for cooperation with, international boycotts [9].

To claim a foreign tax credit, a U.S. corporation must have foreign-source taxable income, pay foreign income tax on the foreign income, and have a U.S. income tax liability. Only certain taxes are creditable. These include income taxes imposed by U.S. possessions or the national government of a foreign country, as well as its cities, states, and other subdivisions. Corporations can deduct all foreign income taxes in lieu of claiming a foreign tax credit. However, most corporations obtain a greater tax benefit by electing to credit these taxes against U.S. income tax [10]. Taxes such as excise, franchise, sales, and certain other taxes, do not qualify as creditable foreign taxes, but can be deducted in calculating worldwide taxable income, even when the foreign tax credit was elected for foreign income taxes.

#### CHANGES IN THE LAW

The data for Income Year 1984 reflect certain changes in the foreign tax credit provisions of U.S. tax law. The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was effective for tax years beginning after December 31, 1982, while the Tax Reform Act of 1984 affected foreign tax credit transactions made after July 17, 1984. The changes under these tax acts affected: (1) foreign oil-related and oil and gas extraction income and taxes (by TEFRA), and (2)

passive foreign income and taxes from interest and dividends, including certain passive income from foreign sources reclassified as domestic-source income (by the 1984 Act).

#### Foreign Oil-Related Income Prior to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)

Prior to TEFRA, the "foreign oil-related income" category included income from both the extraction of foreign oil and gas and from other oil-related activities. Other oil-related activities included processing, transporting, and distributing extracted minerals from foreign oil and gas wells. For tax years beginning after December 31, 1982, "foreign oil-related income" was included in a general limitation category, rather than having a separate limitation of its own.

The credit for foreign taxes on oil and gas extraction income was limited to the U.S. tax on foreign oil-related income. For this purpose, the extraction taxable income arising in one foreign country was not offset by any "net operating losses" arising in other foreign countries.

There were carryover provisions for the excess taxes paid on foreign oil and gas extraction income. The excess taxes could be carried back 2 years then carried forward 5 years. The carryover of the excess taxes was limited to 2 percent of the foreign oil and gas extraction taxable income for the current year.

#### Changes to the Foreign Tax Credit Under the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) eliminated the separate limitation on the foreign tax credit for "foreign oil-related income," effective with taxable years beginning after December 31, 1982. After 1982, to compute the separate limitation on the foreign tax credit for "all other foreign income," the current-year foreign taxes were first reduced by the amount of foreign taxes paid on oil and gas extraction income that exceeded the U.S. tax on such income. However, the oil and gas extraction taxable income first had to be reduced by net operating losses arising in other foreign countries before computing the U.S. tax. In addition, TEFRA eliminated the 2-percent limitation on the carryover of oil and gas extraction taxes.

The 1982 Act also introduced provisions to limit the foreign taxes paid on oil-related income other than oil and gas extraction income in certain cases. There was concern that some foreign countries might avoid the limitation by shifting their higher tax rates from extraction income to income from non-extraction oil-related activities. As a result, foreign taxes paid on oil-related income (redefined as non-extraction income) were reduced to the amount of tax that the foreign country would impose on income that was neither foreign oil and gas extraction income nor foreign oil-related income, with any excess treated as a deductible business expense.

#### Passive Foreign Interest and Dividend Income Under the Tax Reform Act of 1984

The Tax Reform Act of 1984 introduced new provisions relating to foreign interest and dividend income. The new provisions generally applied to interest and certain dividends paid or accrued after July 17, 1984. Certain foreign dividend income was combined with passive foreign interest income to compute a separate limitation on the foreign tax credit. Prior to the Act, this category of passive foreign income was limited to interest income.

In addition, certain interest and dividend income, formerly treated as foreign income, that was received or, in some instances, deemed received, by a U.S. shareholder was reclassified as U.S.-sourced income. When 10 percent or more of the earnings and profits of a U.S.-owned foreign corporation was from a U.S. source, a portion of the interest and dividend income received by the U.S. shareholder was reclassified as U.S. source income. Consequently, the ratio of foreign-source income to worldwide income was reduced and, thus, reduced the limitation of the foreign tax credit as well. The same rules applied to interest and dividends deemed received from subsidiaries of U.S.-owned foreign parent corporations.

#### FOREIGN INCOME, TAXES, AND CREDIT BY INDUSTRY

Manufacturing companies increased their foreign tax credit from \$14.8 billion for 1982 to \$17.5 billion for 1984. (By 1985, these companies had increased their foreign tax credit to \$20 billion.) By comparison, the foreign tax credit for all other industries combined decreased by \$227 million from 1982 to 1984.

The foreign tax credit claimed by banks steadily increased between 1982 and 1984, from nearly \$1.2

billion to over \$1.3 billion, a 14 percent increase. Banks had also increased the credit they claimed, by 10 percent, between 1980 and 1982. The foreign tax credit for most other industries declined during this earlier time period.

#### Dominance of the Petroleum Industry

Companies in the petroleum industry demonstrate the influence that a small subgroup can have on an entire population. During the 1980-1985 period, only 1 percent of all U.S. corporations were classified in the petroleum industry (oil and gas extraction operations as well as integrated petroleum activities, which were a combination of extracting, refining and marketing). However, this small group accounted for over 10 percent of the worldwide taxable income and income tax (before credits) of all U.S. corporations.

The significance of petroleum companies to the population of U.S. corporations that claimed a foreign tax credit is shown in Figure B. Note that for 1984, only 147 petroleum companies (3 percent of the total for all industries) claimed 45 percent of the total foreign tax credit. They also accounted for 34 percent of the total foreign-source taxable income, and paid \$11.3 billion in foreign taxes (49 percent of the total). U.S. companies paid \$1.9 billion more in foreign taxes for 1984 than they could use as a credit against their U.S. income tax. Of that excess, petroleum companies accounted for \$1.7 billion.

Figure B.—Returns with a Foreign Tax Credit: Petroleum Industry Compared to All Industries, 1984

(All figures are estimates based on samples-money amounts are in thousands of dollars)

Selected items	All industries	Petroleum industry	Percentage of all industries
	(1)	(2)	(3)
Number of returns	4,841	147	3.0%
Total assets	\$4,339,759,746	\$532,750,080	12.3
Total non-branch foreign gross income	85,453,725	27,308,413	32.0
Total non-branch foreign deductions	38,766,636	12,298,672	31.7
Foreign branch income and specially allocable income (section 863(b))	16,900,886	6,686,277	39.6
Total foreign-source taxable income	63,587,976	21,696,018	34.1
Current-year foreign taxes	23,327,908	11,306,452	48.5
Income subject to U.S. tax	133,135,963	29,551,997	22.2
U.S. income tax before credits	59,593,157	13,454,329	22.6
Foreign tax credit	21,419,643	9,565,171	44.7

<sup>1</sup> Includes integrated petroleum companies (extracting, refining, and marketing) and oil and gas extraction companies.

The 147 petroleum companies also exemplify the effect that foreign activities can have on U.S. income tax data. For example, the 1984 U.S. income tax before credits for all 33,590 petroleum companies (including those with no foreign tax credit) was \$14.8

billion, nearly 14 percent of the U.S. total. As shown in Figure C, by reducing the U.S. corporate income tax before credits by the foreign tax credit, the petroleum industry accounted for less than 6 percent of the total remaining corporate income tax (before reduction by other credits).

Figure C.—All Corporation Returns: Petroleum Industry Compared To All Industries, U.S. Income Tax and Foreign Tax Credit, 1984

(All figures are estimates based on samples-money amounts are in billions of dollars)

Tax and credit	All industries	Petroleum industry	Percentage of all industries
	(1)	(2)	(3)
U.S. income tax before credits	\$109.1	\$14.8	13.6%
Foreign tax credit	21.4	9.6	44.9
U.S. income tax after foreign tax credit	87.7	5.2	5.9

<sup>1</sup> Includes integrated petroleum companies (extracting, refining, and marketing) as well as oil and gas extraction companies.

Underlying the effect on U.S. tax liabilities from the foreign tax credit is the relationship of foreign-source taxable income to worldwide taxable income. Figure D shows that foreign-source taxable income made up two-thirds of the \$32.6 billion of worldwide taxable income of all U.S. petroleum companies for 1984. After reducing worldwide taxable income by the foreign-source taxable income, petroleum companies accounted for less than 6 percent of the remaining, domestic-source, taxable income. By comparison, based on their worldwide activities, the \$32.6 billion reported by these companies accounted for nearly 13-percent of the total income subject to U.S. tax.

Figure D.—All Corporation Returns: Petroleum Industry Compared To All Industries, Worldwide Taxable Income, 1984

(All figures are estimates based on samples-money amounts are in billions of dollars)

Income	All industries	Petroleum industry	Percentage of all industries
	(1)	(2)	(3)
Worldwide taxable income	\$259.5	\$32.6	12.6%
Foreign-source taxable income	63.6	21.7	34.1
Domestic-source taxable income	195.9	10.9	5.6

<sup>1</sup> Includes integrated petroleum companies (extracting, refining, and marketing) as well as oil and gas extraction companies.  
Note: Worldwide taxable income is "income subject to U.S. tax" for all U.S. corporations with and without a foreign tax credit. Foreign-source taxable income is income earned outside the United States by corporations which claimed a foreign tax credit.

#### Worldwide Taxable Income

As seen in the petroleum industry, the taxable income earned abroad can have a significant impact on U.S. tax liabilities. As shown in Figure E, 25

Figure E.—All Corporation Returns: Foreign-Source Taxable Income as a Percentage of Worldwide Taxable Income, 1980, 1982, and 1984

(All figures are estimates based on samples-money amounts are in billions of dollars)

Income	1980	1982	1984
	(1)	(2)	(3)
All U.S. corporations:			
Worldwide taxable income	\$246.6	\$205.2	\$259.5
Foreign-source taxable income	70.5	59.5	63.6
Domestic-source taxable income	176.1	145.7	195.9
Foreign-source taxable income as a percentage of worldwide taxable income	29%	29%	25%
U.S. corporations claiming a foreign tax credit:			
Worldwide taxable income	\$138.6	\$107.2	\$133.1
Foreign-source taxable income	70.5	59.5	63.6
Domestic-source taxable income	68.1	47.7	69.5
Foreign-source taxable income as a percentage of worldwide taxable income	51%	56%	48%

Note: Worldwide taxable income is "income subject to U.S. tax" for all U.S. corporations with and without a foreign tax credit. Foreign-source taxable income is income earned outside the United States by corporations which claimed a foreign tax credit.

percent of the worldwide taxable income of U.S. corporations for 1984 was from foreign sources. As would be expected, for corporations that claimed a foreign tax credit, the proportion of foreign-source taxable income to worldwide taxable income (48 percent) was much greater than for all corporations. For 1984, the ratio was nearly double.

Worldwide taxable income for all industries rose by 26 percent from 1982 to \$259.5 billion for 1984. The unequal growth in foreign-source (7 percent increase) and domestic-source (34 percent increase) taxable income between 1982 and 1984 resulted in a smaller proportion of foreign-source taxable income to worldwide taxable income (29 percent decreased to 25 percent). That growth contrasted with the nearly equal decline in both foreign and domestic income between 1980 and 1982, when the proportion of foreign-source taxable income to worldwide taxable income was unchanged at 29 percent for both years.

Foreign-source taxable income decreased between 1982 and 1984 for five of the eight industrial divisions, including: mining; finance, insurance, and real estate; construction; wholesale and retail trade; and services. Mining companies earned more than half (55 percent) of their worldwide taxable income from foreign sources for both 1982 and 1984. The percentage decline in foreign-source taxable income between 1982 and 1984 was nearly equal to the decline in domestic-source taxable income for these companies. From 1980 to 1982, on the other hand, the percentage decline in domestic-source taxable income was nearly double that for foreign-source taxable income. This decline in both domestic-source and foreign-source taxable income that oc-

curred in the mining industry between 1980 and 1984 was attributable to companies in the oil and gas extraction industry, as shown in Figure F.

**Figure F.—Selected Mining Industries: Worldwide, Foreign-Source, and Domestic-Source Taxable Income, 1980, 1982, and 1984**

[All figures are estimates based on samples—money amounts are in millions of dollars]

Selected industry and income	1980	1982	1984
	(1)	(2)	(3)
<b>Mining, total:</b>			
Worldwide taxable income.....	\$9,074	\$7,320	\$5,167
Foreign-source taxable income.....	4,656	4,041	2,818
Domestic-source taxable income.....	4,418	3,278	2,349
<b>Oil and gas extraction:</b>			
Worldwide taxable income.....	7,479	6,705	4,310
Foreign-source taxable income.....	4,284	3,989	2,565
Domestic-source taxable income.....	3,196	2,716	1,745

Notes: Worldwide taxable income is "income subject to U.S. tax" for U.S. corporations with and without a foreign tax credit. Foreign-source taxable income is income earned outside the United States by corporations which claimed a foreign tax credit.  
Detail may not add to totals because of rounding.

Manufacturers accounted for more than half of the total \$54.3 billion increase in worldwide taxable income from 1982 to 1984. The worldwide taxable income of manufacturing companies increased by 31 percent from \$102.2 billion to \$133.9 billion. While this increase reflected profits from both foreign and domestic activities, domestic-source taxable income grew 2.5 times faster than foreign-source taxable income (41 percent compared to 16 percent).

For 1984, manufacturing companies generated 34 percent of their worldwide taxable income from foreign sources, down from 1982, when 39 percent of their worldwide taxable income was from foreign sources. This contrasts with a 36 percent figure for 1980.

The increases between 1982 and 1984 in both foreign-source and domestic-source taxable income for manufacturers, however, do not reveal the underlying variation in economic activity of the different segments of this industrial division, as shown in Figure G. The foreign-source taxable income of all manufacturing companies increased by \$6.2 billion between 1982 and 1984. Of that amount, 42 percent was attributed to integrated petroleum companies. However, this was accompanied by a continued decline in the domestic-source taxable income for these same petroleum companies, which dropped from \$21.8 billion for 1980 to \$12.1 and \$9.1 billion for 1982 and 1984, respectively. This decline was accompanied by a decline in the domestic capital spending of these companies, which for 1984 was in

sharp contrast to increases in domestic capital spending reported by other manufacturers of non-durable goods [11].

**Figure G.—Selected Manufacturing Industries: Worldwide, Foreign-Source, and Domestic-Source Taxable Income, 1980, 1982, and 1984**

[All figures are estimates based on samples—money amounts are in millions of dollars]

Selected industry and income	1980	1982	1984
	(1)	(2)	(3)
<b>Manufacturing, total:</b>			
Worldwide taxable income.....	\$134,844	\$102,156	\$133,910
Foreign-source taxable income.....	47,993	39,259	45,593
Domestic-source taxable income.....	86,851	62,798	88,328
<b>Petroleum (including integrated) and coal products:</b>			
Worldwide taxable income.....	46,192	28,588	28,279
Foreign-source taxable income.....	24,363	16,514	19,131
Domestic-source taxable income.....	21,829	12,074	9,147
<b>All other manufacturing (nonpetroleum products), total:</b>			
Worldwide taxable income.....	88,652	73,570	105,632
Foreign-source taxable income.....	23,630	22,945	26,451
Domestic-source taxable income.....	65,021	50,725	79,181
<b>Chemicals and allied products:</b>			
Worldwide taxable income.....	13,241	12,522	16,393
Foreign-source taxable income.....	4,575	4,740	6,294
Domestic-source taxable income.....	8,666	7,781	10,098
<b>Machinery, except electrical:</b>			
Worldwide taxable income.....	14,330	10,881	13,330
Foreign-source taxable income.....	5,819	5,194	6,867
Domestic-source taxable income.....	8,511	5,687	6,464
<b>Motor vehicles and equipment:</b>			
Worldwide taxable income.....	2,215	2,857	9,957
Foreign-source taxable income.....	1,244	2,212	2,503
Domestic-source taxable income.....	972	645	7,454
<b>Electrical and electronic equipment:</b>			
Worldwide taxable income.....	8,717	8,046	11,472
Foreign-source taxable income.....	2,377	3,182	2,503
Domestic-source taxable income.....	6,340	4,864	8,969
<b>Food and kindred products:</b>			
Worldwide taxable income.....	10,267	9,162	9,501
Foreign-source taxable income.....	1,703	2,014	1,784
Domestic-source taxable income.....	8,565	7,148	7,717

Notes: Worldwide taxable income is "income subject to U.S. tax" for U.S. corporations with and without a foreign tax credit. Foreign-source taxable income is income earned outside the United States by corporations which claimed a foreign tax credit.  
Detail may not add to totals because of rounding.

The economic recovery between 1982 and 1984 in domestic-source taxable income for all other U.S. manufacturers was led by manufacturers of motor vehicles and equipment and electrical and electronic equipment. These two industries alone accounted for 43 percent of the \$25.5 billion overall increase from 1982 to 1984 in domestic-source taxable income of all manufacturing companies.

Nearly one-half of the foreign-source taxable income of manufacturers of nonpetroleum products was attributed to manufacturers of chemicals and allied products and of non-electrical machinery. The five groups shown in Figure G accounted for three-fourths of the total foreign-source taxable income of nonpetroleum manufacturers (\$26.5 billion). These five groups comprised only one-half of the \$79.2 billion of domestic-source taxable income, for 1984.

For finance, insurance, and real estate companies, taxable income from foreign activities was stable for 1980, 1982 and 1984, as compared to their earnings from domestic activities. The foreign-source taxable income of these companies was less than half (46 percent) of their worldwide taxable income for 1984, compared to 61 percent for 1982. This percentage shift reflects the sharp rise for 1984 in their domestic-source taxable income.

For 1984, banks accounted for 85 percent of the \$11.5 billion of foreign-source taxable income of the entire finance, insurance, and real estate industrial division, as shown in Figure H. Foreign-source taxable income of banks alone was \$9.8 billion. However, this amount was nearly \$1 billion less than that for 1982. A slowdown in foreign lending in 1984 contrasted with strong growth in domestic bank lending [12]. Throughout the 1980-1984 period, banks as a group reported domestic-source deficits on their U.S. income tax returns. However, the deficits they reported for 1984 dropped below \$500 million. For 1982, the deficits totaled \$4.4 billion [13].

**Figure H.—Selected Finance, Insurance, and Real Estate Companies: Worldwide, Foreign-Source, and Domestic-Source Taxable Income, 1980, 1982, and 1984**

[All figures are estimates based on samples—money amounts are in millions of dollars]

Selected industry and income	1980	1982	1984
	(1)	(2)	(3)
<b>Finance, insurance, and real estate, total:</b>			
Worldwide taxable income.....	\$24,320	\$19,973	\$25,208
Foreign-source taxable income.....	11,400	12,138	11,504
Domestic-source taxable income.....	12,920	7,835	13,704
<b>Banking:</b>			
Worldwide taxable income.....	7,087	6,351	9,338
Foreign-source taxable income.....	9,888	10,766	9,831
Domestic-source taxable income.....	-2,800	-4,415	-493

Notes: Worldwide taxable income is "income subject to U.S. tax" for U.S. corporations with and without a foreign tax credit. Foreign-source taxable income is income earned outside the United States by corporations which claimed a foreign tax credit.  
Detail may not add to totals because of rounding.

## Foreign Taxes

U.S. companies claiming a foreign tax credit paid \$23.3 billion in current-year foreign taxes for 1984. The relatively modest \$533 million increase from 1982 to 1984 in current-year foreign taxes may be compared with the \$7.2 billion decrease from 1980 to 1982. Inasmuch as manufacturing companies accounted for most of the increase in foreign-source taxable income between 1982 and 1984, they also accounted for most of the increase in current-year foreign taxes.

If effective foreign tax rates were the same as the U.S. rate, it would follow that the ratio of foreign-

source taxable income to worldwide taxable income should approximate the ratio of current-year foreign taxes to U.S. income tax after credits (excluding the foreign tax credit). Figure I suggests that for all corporations foreign tax liabilities were slightly higher than the U.S. tax, since the foreign tax ratio (27.2 percent) is higher than the foreign income ratio (24.5 percent) [14]. However, there were variations by industry.

For the finance, insurance, and real estate industrial division, foreign-source taxable income was nearly half of the worldwide taxable income (45.6 percent), while foreign taxes were only one-fifth as great as the U.S. income tax after credits (excluding the foreign tax credit). Low foreign withholding tax rates on banking income (primarily interest) were responsible for this low effective foreign tax rate.

On the other hand, while over one-half of the taxable income generated by the mining industrial division was from foreign sources, foreign taxes were 70 percent of the U.S. income tax after credits (excluding the foreign tax credit). The relatively large amount of foreign taxes reported by mining companies was due to the high tax rates associated with oil and gas extraction income.

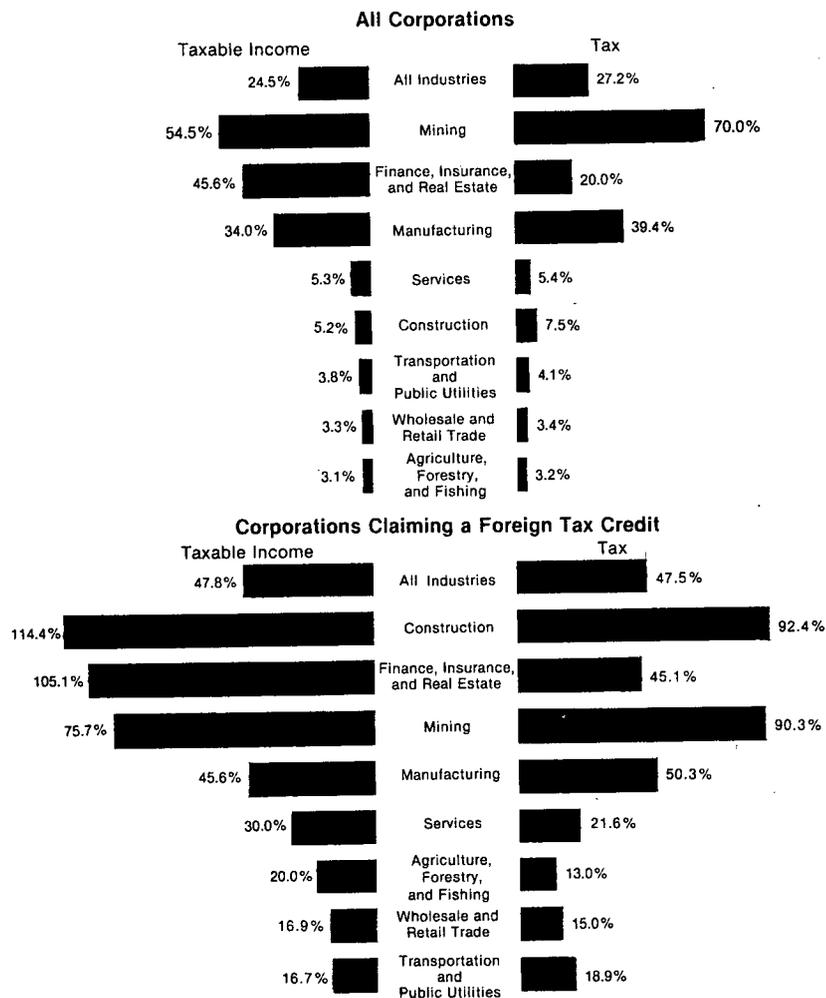
Manufacturing also had a large amount of foreign taxes, comprising over 39 percent of the U.S. income tax on worldwide taxable income, even though only 34 percent of that income was from foreign sources.

## CORPORATE STRUCTURES AND FOREIGN BUSINESS ACTIVITY

U.S. corporations with foreign business activities can operate abroad using a variety of business structures or methods. In some cases, foreign countries require the use of certain organizational structures. The types of structures or methods include:

- unincorporated foreign branches — income is reported as branch taxable income;
- controlled foreign corporations [15] — income is reported as dividends and "dividend gross-up" (see the "Definitions" section of this article); and
- direct transactions with a foreign corporation (whether controlled or not) or with unrelated

Figure I.  
Foreign-Source Taxable Income and Current-Year Foreign Taxes as Percentages of Worldwide Taxable Income and U.S. Income Tax after Credits (Except the Foreign Tax Credit), by Industrial Division, 1984



Note: These percentages are estimates as a small amount of foreign income and tax data are not included in these statistics (see the "Data Sources and Limitations" section of this article).

entities -- income is reported as gross income, including interest, rents, royalties, and services income.

The components of foreign branch income (gross income and deductions) are not generally included in the statistics because corporations are not required to report them. However, the taxable income and taxes of foreign branches of U.S. corporations are included in the statistics and are separately discussed later in the "Foreign Branch Taxable Income" section of this article. The following section contains a discussion of the gross income (less loss) and taxes of controlled foreign corporations and from U.S. direct transactions abroad.

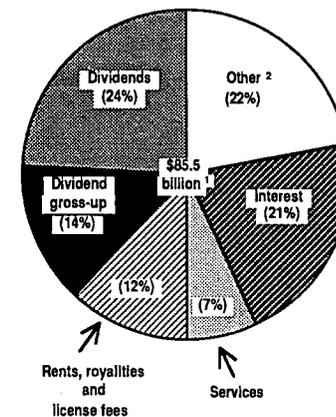
#### Foreign Gross Income and Taxes: Controlled Foreign Corporations and U.S. Direct Transactions Abroad

The increase in profits of foreign corporations for 1982 and 1984 was reflected in the \$4.8 billion (17 percent) increase in dividends (including the dividend gross-up) for 1984. A comparison of the components of foreign gross income (less loss) for 1984 and 1982 revealed that dividends and interest reversed positions as the leading sources of income from controlled foreign corporations and U.S. direct transactions abroad. As shown in Figure J for 1984, dividends were the most common type of foreign gross income; for 1982, interest had captured that position. The decline in interest income was primarily due to banks. While foreign-source interest of U.S. banks rose to \$16.6 billion for 1982, by 1984, that interest had fallen by 22 percent to \$12.9 billion. U.S. corporations other than banks experienced a 19-percent decline in foreign interest income for 1984 as well, from \$5.9 billion to \$4.8 billion.

Corporations engaged primarily in manufacturing and trade seemed more likely than corporations in other industries to operate through foreign subsidiaries, rather than through direct transactions. This tendency is best shown in Figure K by the high percentage of dividends (including the dividend gross-up) these industries received from foreign subsidiaries (53 percent and 48 percent of gross income, respectively). This is probably due to the foreign presence required of these companies to operate in certain foreign countries. Unlike corporations in these two industrial divisions, finance, insurance, and real estate companies seldom operated abroad through subsidiaries. These cor-

Figure J

#### Corporations Claiming a Foreign Tax Credit: Foreign Gross Income (Less Loss), Excluding Branch Income, by Incoming Type, 1984



<sup>1</sup>Excludes branch income and specially allocable income. See the "Definitions" section, at the end of this article.

<sup>2</sup>Includes non-branch business receipts from sales, as well as net capital gains and partnership net income.

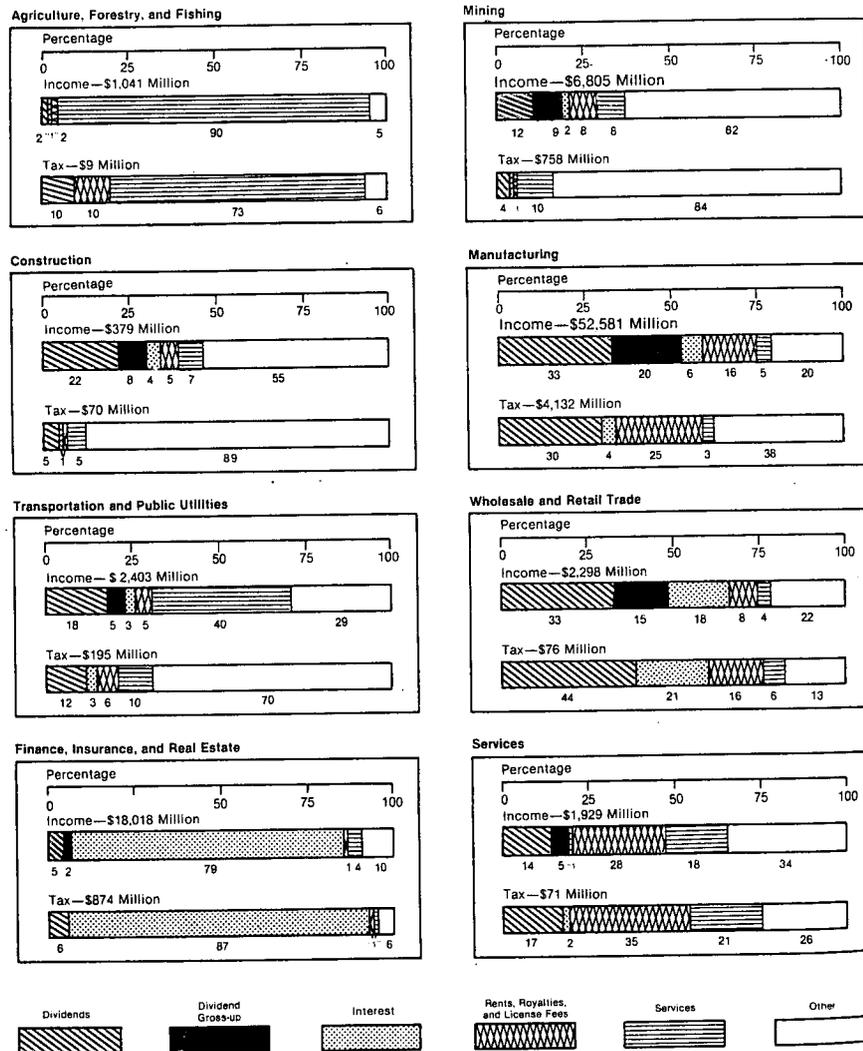
porations thus received only 7 percent of their foreign-source gross income as dividends (including the dividend gross-up). Income received through foreign subsidiaries was even less significant to corporations primarily engaged in agriculture, forestry, and fishing. Dividends and dividend gross-up accounted for only 2 percent of their foreign-source gross income.

For 1984, U.S. corporations paid or accrued \$6.2 billion in foreign taxes on \$85.5 billion of "gross income," excluding branch and specially allocable income (see Figure J). These represented 2 percent and 18 percent decreases in income and taxes, respectively, compared to 1982.

Taxes withheld at the source on dividends and rents, royalties, and license fees amounted to \$2.5 billion for 1984, and accounted for 40 percent of the

Figure K.

### Corporations Claiming a Foreign Tax Credit: Foreign Gross Income (Less Loss), and Foreign Taxes, by Income Type and Industrial Division, 1984



✓Excludes branch and specially allocable income. See the "Definitions" section of this article.

NOTE: Detail may not add to totals due to rounding.

total foreign taxes paid or accrued on gross income, excluding branch operations and specially allocable income. Manufacturers alone reported nearly all (91 percent) of the tax withheld.

Foreign tax withheld at the source on interest income accounted for 16 percent of the total foreign taxes paid or accrued on gross income other than from foreign branches and specially allocable income. By comparison, 21 percent of the total gross income was interest. The difference between these percentages reflects the low withholding rates associated with interest income, due especially to the fact that U.S. tax treaties with certain foreign countries required a zero withholding tax rate on this income. Almost three-fourths of the foreign tax withheld on interest income (from other than foreign branches) was reported by U.S. banks.

Taxes paid or accrued on "other" income accounted for nearly 40 percent of the total foreign taxes associated with the non-branch foreign gross income shown in Figure J. In contrast, this "other" income was only 22 percent of total gross income. Most of this income category was non-branch business receipts, generally from sales. However, income from foreign partnerships and net capital gains were also included in "other" income. More than 82 percent of the \$2.5 billion in taxes paid or accrued on "other" foreign gross income, and over 62 percent of the \$18.9 billion of that income were attributable to corporations in the petroleum industry.

The distribution of foreign non-branch gross income by type varied considerably by industrial division, as shown in Figure K. The distribution of income and taxes of manufacturers was similar to the distribution of income and taxes for all industries; these corporations comprised over half of both total gross income and total taxes. While wholesale and retail trade followed the overall pattern for income, 44 percent of the taxes represented amounts withheld on dividends while only 13 percent was paid on "other" income. The other industry groups deviated substantially from the overall distribution by type of income. Finance, insurance, and real estate companies, for example, received large amounts of interest income. For companies primarily engaged in agriculture, forestry, and fishing, services income was predominant.

#### Foreign Branch Taxable Income

As an alternative to incorporating in foreign countries, many U.S. companies establish unincor-

porated foreign branches to conduct business abroad. Income from these branches represented nearly one-fourth of total foreign-source taxable income for 1984, as shown in Figure L. Foreign branch taxable income remained stable for 1984 at \$14.5 billion, compared to 1982. In contrast, taxable income from foreign branches declined by \$7.3 billion between 1980 and 1982, due mainly to the integrated petroleum industry.

Figure L.—Returns with a Foreign Tax Credit: Foreign Branch Taxable Income as a Percentage of Total Foreign-Source Taxable Income, by Selected Industry, 1984

[All figures are estimates based on sample-money amounts are in millions of dollars]

Selected industry	Total foreign-source taxable income		Percentage
	(1)	(2)	
All industries, total	\$63,588	\$14,541	22.9%
Agriculture, forestry, and fishing	50	1	1.3
Mining	2,818	328	11.7
Construction	295	5	1.7
Manufacturing, total	45,582	7,779	17.1
Petroleum (including integrated) and coal products	19,131	6,382	33.4
Transportation and public utilities	1,308	165	12.6
Wholesale and retail trade	1,320	17	1.3
Finance, insurance, and real estate, total	11,504	6,202	53.9
Banking	9,831	5,991	60.9
Services	711	46	6.4

Note: Detail may not add to totals because of rounding.

Nearly all of the total foreign branch taxable income for 1984 and 1982 was attributable to the manufacturing and finance, insurance, and real estate industrial divisions. While for 1984, over half (53 percent) of this income was attributable to manufacturing, for 1982, this industrial division accounted for less than half (45 percent) of the total. This change reflected the increased profits of the integrated petroleum industry, whose foreign branch taxable income rose by 28 percent from 1982 to 1984. For both years, this industry largely (82 percent) accounted for the total foreign branch taxable income of U.S. manufacturers.

For 1984, one-third of the total foreign-source taxable income of integrated petroleum companies was earned through foreign branches. The components of foreign branch taxable income (gross income and deductions) are not generally included in the aggregate statistics. However, the gross income and deduction statistics for foreign oil and gas extraction activities, presented separately in Tables 1 and 4, include amounts earned through foreign branches as well as through controlled foreign corporations and direct transactions abroad. Unfortunately, the exact amount of gross income and deductions related to the extraction activities of

foreign branches can not be determined from the aggregate statistics.

As a contrast to manufacturers, the foreign branch taxable income of finance, insurance, and real estate companies decreased by 16 percent between 1982 and 1984. Financial corporations accounted for less than half of total foreign branch taxable income (43 percent) for 1984, while they comprised 51 percent for 1982. However, companies in the finance, insurance, and real estate industrial division as a whole relied more on branch operations than did manufacturing companies. Fifty-four and 61 percent of the total foreign-source taxable income of these companies was earned through foreign branches for 1984 and 1982, respectively. By comparison, for the manufacturing division, branch income was only 17 percent of total foreign-source taxable income for both years.

Figure L shows that U.S. banks, in particular, had a strong preference to conduct business in foreign countries through branch operations. Historically, U.S. banks have made foreign loans through their foreign branches rather than by establishing foreign banking subsidiaries. During the early part of 1984, U.S. banks also used their foreign branches as part of an effort to establish large credit lines for possible mergers [16].

## SUMMARY

Between 1982 and 1984, the foreign tax credit claimed by U.S. corporations rose by \$2.5 billion, an increase of 13 percent. Likewise, the increases in worldwide taxable income, foreign-source taxable income, and U.S. income tax before credits over these 2 years contrasted sharply with the economic downturn between 1980 and 1982. The increases in foreign income and taxes for 1984 primarily reflected a strong foreign recovery made by manufacturing companies in the petroleum industry. While the petroleum industry experienced a strong foreign recovery for 1984, many other industries experienced a stronger domestic recovery, with decreases in foreign-source taxable income and taxes.

Dividends (including the dividend gross-up) from foreign subsidiaries emerged as the largest component of total foreign non-branch gross income in 1984, accounting for 39 percent of the total \$85.5 billion. Between 1982 and 1984, dividends (includ-

ing the dividend gross-up) increased by \$4.8 billion to \$32.9 billion, while interest income decreased by an equal amount, to \$17.7 billion.

Foreign branch operations were especially important to the banking industry. Over 60 percent of the foreign-source taxable income of banks was earned through foreign branches. As a contrast to banks, corporations in the trade and manufacturing industries more often established foreign subsidiary corporations. This was reflected in the large amount of foreign dividends and the dividend gross-up reported by those U.S. corporations.

## DATA SOURCES AND LIMITATIONS

### Sample Selection and Sampling Variability

The statistics for Income Year 1984 (which included accounting periods ending between July 1984 and June 1985) were estimated from a stratified probability sample of about 94,000 corporation income tax returns selected after revenue processing, but before audit examination. A description of the sample selection procedures for corporate returns is presented in the Appendix of this publication.

Returns claiming a foreign tax credit were selected for the 1984 statistics presented in this article from the general corporate sample. Slight differences exist between the 1984 foreign tax credit data presented here and the data previously published in *Statistics of Income—1984, Corporation Income Tax Returns*, as well as data shown in Table 13 of the Selected Historical Data section of this publication. The differences exist because the statistics presented in this article include 1984 data for 25 returns with foreign tax credit that were prescribed for inclusion in the 100 percent sample class, but were received too late to be included in the regular corporate statistics. However, estimates were used in the corporate statistics for the most significant (10) returns.

Accounting periods which ended January through June 1985, included returns filed for the first time by Foreign Sales Corporations (FSC's) and Interest Charge Domestic International Sales Corporations (IC-DISC's). Effective January 1985, the FSC and IC-DISC replaced the former Domestic International Sales Corporation (DISC). When a U.S. parent corporation receives a dividend from a FSC or an IC-DISC, the parent corporation can sometimes claim a foreign tax credit for a portion of the foreign taxes

paid by those corporations. However, no returns in the corporate sample for Income Year 1984 included a foreign tax credit for distributions from either a FSC or an IC-DISC.

Unlike an IC-DISC, a FSC may pay U.S. income tax. Therefore, a FSC can sometimes claim a foreign tax credit for the foreign taxes paid on its foreign trade income. A separate study of income tax returns (Forms 1120-FSC) was conducted for these newly created corporations with accounting periods ending January through June 1985. None of the Foreign Sales Corporations included in that study claimed a foreign tax credit.

Sampling error is a limitation only to the extent that returns are selected at a rate of less than 100 percent. However, for this article, returns selected at the 100 percent rate accounted for the largest part of the estimated amounts. For instance, for 1984, corporations with \$250 million or more in total assets (which were selected at the 100 percent rate) accounted for almost all of total assets (97.9 percent), foreign tax credit claimed (96.5 percent), and foreign-source taxable income (96.1 percent) reported by all corporations claiming a foreign tax credit. Because of the predominance of these large corporations, sampling error is not considered a major limitation of the statistics.

### General Limitations

The foreign tax credit is claimed under section 901 of the Internal Revenue Code. Corporations claiming a foreign tax credit generally provide supporting foreign income and tax data on Form 1118, *Computation of Foreign Tax Credit—Corporations*, attached to their U.S. income tax returns (Forms 1120).

Form 1118 is the source of the foreign income and tax data for this article. Detailed statistics from this form are generally obtained for only even numbered income years. The foreign income, taxes, and credit in this article were thus obtained from Forms 1118 for 1980, 1982, and 1984. The foreign tax credit was obtained for other years (i.e., 1981, 1983, and 1985) through the annual corporation income tax return statistics. Because of the different cycles of data collection, only the foreign tax credit can be compared or contrasted annually.

The statistics do not reflect any adjustments that may be made during audit examination, when the acceptability of the foreign income and taxes

reported for purposes of this credit is finally determined. In addition, some corporations provided only preliminary foreign income and tax data with their U.S. tax returns because not all the information on their foreign operations was available at the time the U.S. income tax return had to be filed.

There is a certain amount of undercoverage in the foreign income and tax data. Some corporations with foreign income and taxes reported an overall deficit on their U.S. income tax return and thus had no U.S. tax liability against which a foreign tax credit could be claimed. Other corporations may have chosen to deduct their foreign taxes from gross income rather than credit them against their U.S. income tax liability. It is believed that the amounts of foreign income and tax were insignificant for those returns. In both circumstances, the tax returns would have been excluded from this study. In other instances, corporations did not provide a Form 1118 in support of the foreign tax credit claimed with their tax return as originally filed. Since the foreign tax credit claimed by these corporations represented approximately 0.06 percent of the total foreign tax credit claimed by all corporations, it is believed that the related foreign income and tax data are insubstantial. Certain data about these corporations are, however, included in columns 1-16 of Table 1.

The U.S. tax law allows parent corporations to file consolidated income tax returns presenting the combined financial data of an entire group of affiliated corporations. Therefore, the actual number of corporations claiming a foreign tax credit is understated, inasmuch as the statistics in this article are for corporation income tax returns with a foreign tax credit. For purposes of this article, however, the term "corporations" is used interchangeably with "returns."

Each return included in the statistics was assigned an industry code during statistical processing. This code was used as a classifier of the returns. The industry code represented the principal business activity of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. To the extent that some returns (consolidated and nonconsolidated) were for corporations engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

## DEFINITIONS

**Current-year Foreign Taxes.**—Generally, current-year foreign taxes available for credit included (a) foreign taxes directly paid or accrued by a U.S. corporation on profits of foreign branch operations; taxes withheld on dividends, interest, rents, royalties and license fees; and foreign taxes paid or accrued on other income including income from partnerships and from the performance of services; and (b) foreign taxes indirectly, or "deemed," paid by a U.S. corporation. The deemed paid taxes were the taxes paid or accrued by a related foreign corporation on the profits from which dividends were paid (or constructive distributions made) to the U.S. corporation.

**Dividend Gross-up.**—An amount of income equal to tax deemed paid that is associated with dividends received or with includable income constructively received from Controlled Foreign Corporations.

**Foreign-source Taxable Income.**—Foreign-source gross income, including certain income "constructively" although not actually received (i.e., foreign dividend gross-up and includable income of Controlled Foreign Corporations) less, or "net" of, the allocable deductions determined under the Internal Revenue Code and by provisions of any tax treaty between the United States and a particular foreign country. This taxable income was the amount on which the U.S. income tax on foreign earnings was determined. It could differ from the taxable income from overseas business operations and investments computed under foreign tax law, which was used as the basis for foreign taxation. In general, foreign-source taxable income included foreign branch profits, dividends received from foreign corporations, rental income, royalties, license fees, interest, gains from the sale of real property, and compensation for labor or services performed.

**Specialty Allocable (Section 863(b)) Income.**—Income partially earned within the United States and partially earned within a foreign country or U.S. possession. In general, the income was generated either by production within the United States and sales abroad, or vice versa; or by transportation, telegraph, or cable services.

## NOTES AND REFERENCES

- [1] For an explanation of the difference between the \$21.4 billion total foreign tax credit figure shown here and the \$21.1 billion figure shown

in *Statistics of Income – 1984, Corporation Income Tax Returns*, see the "Data Sources and Limitations" section of this article.

- [2] Unless otherwise stated, the term foreign taxes paid is used in this article to mean current-year foreign taxes, which is described in the "Definitions" section of this article. Taxes paid to foreign governments on some income that was not repatriated to the United States are not included in the statistics in this report.
- [3] The focus of this article is Tax Year 1984 because statistics on the foreign income and taxes, which generate the foreign tax credit, are not available for 1985. See the "General Limitations" section of this article for a more detailed explanation. While the focus is also on industry data, information by selected countries is provided in Table 4, at the end of this article.
- [4] Starting from a record high of \$36.8 billion for 1979, the foreign tax credit plunged for 1980. This plunge resulted primarily from the nationalization of certain U.S. oil extraction interests in the Middle East.
- [5] Taxable income, in contrast to net income, which is somewhat higher, is used for measuring the recovery because it is the U.S. tax base used in the computation of the foreign tax credit. The foreign-source and domestic-source taxable income are estimates because a small amount of foreign-source taxable income is not included in these statistics. See the "Data Sources and Limitations" section of this article.
- [6] Major U.S. corporations today include multinational operations distributed throughout the European Economic Community, Japan, Canada, and numerous developing countries around the world. Many foreign countries are producing various component parts of the final products sold by U.S. companies today. Not only does the manufacturing of goods result from multinational coordination, so does the necessary financing which is provided through internationally coordinated operations of U.S. companies. For a discussion of a prototype of a large computer-age multinational firm see for example: Blumenthal, Michael, "Two Perspectives on International Macroeconomic Policy

Coordination," *International Economic Cooperation*, Martin Feldstein, editor, University of Chicago Press, 1988, pp. 43-49.

- [7] Under the Deficit Reduction Act of 1984, the DISC was replaced with the Foreign Sales Corporation (FSC), which created two new categories of foreign income (effective January 1985): (1) foreign trade income of a FSC and (2) distributions from a FSC or former FSC. See the "Data Sources and Limitations" section of this article for more details concerning the exclusion of these categories of foreign income from the 1984 statistics.
- [8] The foreign tax credit shown in the statistics do not include any foreign taxes carried back because this would require filing an amended tax return. Amended tax returns were not included in this study.
- [9] See Mose, Vergie, "Report on International Boycotts, 1976-1982: A Focus on the Middle East," *Statistics of Income Bulletin*, Summer 1985, Volume 5, Number 1.
- [10] For comparison of the tax effect using foreign taxes paid as a credit versus a deduction, see Barlow, Mary, "Foreign Tax Credit by Industry, 1982," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4.
- [11] Seskin, Eugene P. and Landefeld, J. Steven, "Plant and Equipment Expenditures, the Four Quarters of 1984," *Survey of Current Business*, Bureau of Economic Analysis, Department of Commerce, June 1984.
- [12] Dilullo, Anthony J., "U.S. International Transactions, Third Quarter 1984," *Survey of Current*

*Business*, Bureau of Economic Analysis, Department of Commerce, December 1984.

- [13] In general, a deficit occurred when the sum of ordinary and necessary business expenses plus statutory special deductions exceeded gross income. Ordinary business deductions, in the case of banks, include interest paid to depositors, as well as deductions for bad debts.
- [14] U.S. tax laws mandate the sequence in which tax credits must be taken in reducing U.S. income tax. The first credit to reduce U.S. income tax is the foreign tax credit. The remaining U.S. tax determines the limits of the other succeeding tax credits. For the calculations shown in Figure 1, the reported amounts of the other credits were used to reduce U.S. income tax. These credits were not recalculated to simulate higher limitations due to the U.S. income tax before credits not being reduced by the foreign tax credit (for Figure 1).
- [15] A Controlled Foreign Corporation (CFC) is generally described as a corporation created under the laws of a government outside of the United States and with more than 50 percent of the voting stock or more than 50 percent of all classes of stock owned by U.S. "persons" on any day during the taxable year of the CFC. For 1984 industrially classified Controlled Foreign Corporation data, see Lewis, Margaret P., "Controlled Foreign Corporations, 1984: An Industry Focus," *Statistics of Income Bulletin*, Fall 1989, Volume 9, Number 2.
- [16] Krueger, Russel C., "U.S. International Transactions, First Quarter 1984," *Survey of Current Business*, Bureau of Economic Analysis, Department of Commerce, June 1984.

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from DISCs	Inducible income of Controlled Foreign Corporations	Foreign dividend income resulting from foreign taxes deemed paid (gross-net)	Net income (loss) before taxes	Income subject to U.S. tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>All Industries</b>	<b>4,841</b>	<b>4,339,759,746</b>	<b>2,385,182,002</b>	<b>14,654,946</b>	<b>4,859,970</b>	<b>3,882,959</b>	<b>12,095,447</b>	<b>139,112,230</b>	<b>133,135,063</b>
Agriculture, forestry, and fishing	55	2,491,866	5,487,388	20,322	12,103	1,173	3,231	256,010	248,798
Mining	143	93,828,192	52,245,406	872,975	34,556	114,007	636,358	3,960,085	3,724,530
Metal mining	13	2,274,014	1,790,179	8,022	—	84	—	164,916	160,354
Coal mining	3	3,177,555	2,272,303	—	—	—	—	3,475,238	3,285,111
Oil and gas extraction	122	865,657,616	45,577,588	660,434	34,556	113,603	627,676	1,170,126	1,170,126
Nonmetallic minerals, except fuels	6	1,501,548	1,604,735	4,518	—	—	560	80,719	258,187
Construction	99	16,555,188	9,155,157	62,444	5,403	16,358	29,234	346,209	258,187
General building contracts and operative builders	*79	*1,507,418	*5,768,749	*33,907	*219	*100	*14,385	*235,763	*178,539
Heavy construction contractors	*12	*14,721,944	*3,074,813	*26,593	*5,184	*16,128	*14,263	*83,756	*54,291
Special trade contractors	*7	*245,826	*311,795	*1,964	—	*130	*596	*26,888	*25,258
Manufacturing	1,709	1,483,187,187	1,501,703,306	12,290,707	4,691,051	3,038,417	10,596,634	102,432,248	99,809,028
Food and kindred products	85	69,736,405	113,579,826	658,078	123,283	230,361	541,790	5,528,038	5,428,311
Tobacco manufactures	6	46,692,190	37,467,091	35,396	123,091	52,331	40,553	4,113,138	4,098,582
Textile mill products	38	7,923,961	10,842,731	25,189	6,788	19,897	579,697	579,697	576,310
Apparel and other textile products	18	29,781,501	26,578,063	13,600	6,360	5,373	7,511	645,899	642,630
Lumber and wood products	18	2,516,576	3,918,508	1,297	2,693	1,307	1,307	1,307,357	1,094,731
Furniture and fixtures	53	40,447,280	45,899,090	223,386	143,399	473,350	473,350	1,130,357	1,130,357
Paper and allied products	98	63,890,741	202,468,505	2,024,633	1,024,274	1,734,619	3,270,423	3,270,423	3,270,423
Printing and publishing	24	22,308,960	33,189,891	81,361	24,687	14,835	75,610	20,423,229	26,266,624
Chemicals and allied products	25	446,183,004	394,568,998	4,465,174	1,329,999	577,479	4,085,197	27,042,229	26,266,624
Rubber and miscellaneous plastics products	81	17,777,124	24,720,012	132,964	47,445	17,082	74,610	1,227,858	1,152,545
Leather and leather products	15	3,730,968	5,752,109	5,524	218	194	5,664	261,725	250,423
Stone, clay, and glass products	50	50,160,428	35,749,069	120,797	58,965	99,399	53,563	1,299,599	1,267,296
Primary metal industries	156	40,175,607	38,977,957	513,771	122,022	44,146	345,550	2,974,865	2,926,689
Fabricated metal products	233	125,589,174	114,174,960	1,719,725	651,977	402,150	1,685,874	11,643,130	11,422,326
Machinery, except electrical	211	123,809,195	131,033,739	541,796	649,750	212,327	292,819	7,944,502	7,741,662
Electrical and electronic equipment	50	154,376,691	152,672,562	926,562	585,729	239,831	729,231	9,408,308	9,317,794
Motor vehicles and equipment	26	29,481,625	42,545,198	179,854	355,294	43,536	142,555	2,059,999	2,059,999
Instruments and related products	104	30,915,004	38,653,913	323,294	458,031	179,023	336,482	2,915,311	2,777,929
Miscellaneous manufacturing products and manufacturing not allocable	80	12,315,430	13,803,753	52,684	28,559	8,228	40,068	1,156,761	1,070,962
Transportation and public utilities	239	209,189,234	126,032,748	166,757	12,900	255,851	129,905	8,755,905	8,755,905
Transportation	187	43,498,155	36,420,876	54,034	1,564	21,603	15,580	1,890,434	1,515,918
Water transportation	18	38,807,285	34,053,483	41,491	1,964	15,771	15,045	1,799,095	1,428,771
Other transportation	14	57,633,211	30,055,208	68,587	6,352	102,259	69,702	2,813,183	2,629,701
Communication	38	108,037,968	59,556,663	43,296	4,984	124,989	44,534	3,872,288	3,710,183
Electric, gas, and sanitary services	735	229,204,888	250,842,292	629,509	62,602	340,312	8,833,554	7,628,424	7,628,424
Wholesale and retail trade	636	89,494,330	82,371,216	363,518	51,085	199,065	432,366	3,553,911	3,553,911
Wholesale trade	*17	*1,791,938	*7,351,401	*6,545	*4,933	*9,372	*7,864	*255,742	*250,007
Groceries and related products	85	3,773,870	6,843,706	6,835	4,933	9,372	7,864	255,742	250,007
Machinery, equipment, and supplies	115	83,928,518	66,176,109	350,138	45,283	52,171	186,704	3,096,200	2,904,478
Miscellaneous wholesale trade	534	3,186,127	6,010,384	16,901	5,281	1,561	9,729	219,244	204,478
Drugs, chemicals, and allied products	*11	*4,078,406	*9,737,311	*213,540	*723	*32,620	*115,973	*443,308	*443,308
Petroleum and petroleum products	*408	*78,665,964	*50,428,435	*119,897	*39,168	*17,990	*61,002	*2,433,648	*2,383,243
Other miscellaneous wholesale trade	100	139,170,559	168,271,076	165,991	11,417	135,955	141,247	5,505,488	4,472,512
Retail trade	24	*129,643	*234,492	*31	—	—	—	*7,835	*7,655
Building materials, garden supplies, and mobile home dealers	7	107,102,221	103,426,966	89,742	2,271	102,024	98,966	2,825,007	2,331,620
General merchandise stores	10	10,142,298	36,301,555	58,699	5,809	14,787	56,490	662,897	332,851
Food stores	21	*13,754,401	*6,880,028	*350	—	—	*1,350	*390,664	*354,002
Apparel and accessory stores	23	11,280,356	10,898,348	4,964	2,771	16,223	6,817	864,628	845,894
Eating and drinking places	21	7,301,640	10,520,686	12,204	566	1,555	8,003	754,437	754,437
Miscellaneous retail stores	153	2,270,614,319	378,310,593	723,118	8,525	181,195	287,481	12,149,312	12,149,312
Finance, insurance, and real estate	1,862	1,618,619,515	193,158,529	384,970	197	97,436	129,298	5,884,257	5,884,257
Banking	97	85,042,081	18,175,292	48,517	265	34,633	404,858	307,544	307,544
Credit agencies other than banks	102	72,750,775	6,538,543	16,002	368	3,234	3,234	404,858	3,234
Security, commodity brokers, and services	224	477,130,039	148,032,217	89,833	2,168	39,061	35,707	4,346,505	4,346,505
Insurance carriers	346	2,601,383	2,782,232	6,136	293	—	—	1,138,933	1,138,933
Insurance agents, brokers and services	499	35,008,771	40,605,114	169,095	32,829	73,345	92,111	2,568,596	2,568,596
Real estate	8	1,921,069	2,389,322	20,858	—	—	—	193,204	193,204
Holding and other investment companies except bank holding companies	424	11,831,810	6,786,156	167,750	7,401	6,687	61,581	846,951	566,630
Bank holding companies	498	35,008,771	40,605,114	169,095	32,829	73,345	92,111	2,568,596	2,568,596
Hotels and other lodging places	8	*3,908,429	*3,105,600	*962	—	—	—	*138,933	*138,933
Personal services	253	11,673,688	16,594,126	71,760	12,050	26,319	44,593	1,143,010	1,143,010
Business services	16	*3,996,025	*3,761,950	*3,854	—	—	—	*2,981	*2,981
Auto repair, miscellaneous repair services	127	5,888,762	4,659,433	82,032	11,536	36,765	17,573	258,464	258,464
Amusement and recreational services	9	7,618,587	7,094,083	9,719	9,243	10,243	7,650	593,443	593,443
Other services	6	—	—	—	—	—	—	—	—

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	U.S. income tax before credits					Foreign tax credit claimed	U.S. possession tax credit	General business credit	Other credits	Foreign income and taxes reported on Form 1118			
	Total	Regular and alternative tax	Foreign tax credit claimed	U.S. possession tax credit	Other credits					U.S. income tax after credits	Gross income (less total excluding branch operations and specially allocable income)		
											Total	Dividends	Dividend gross-up
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)				
<b>All Industries</b>	<b>59,593,107</b>	<b>59,535,320</b>	<b>21,416,643</b>	<b>12,333</b>	<b>\$1,108,426</b>	<b>1,391,978</b>	<b>27,680,794</b>	<b>85,453,725</b>	<b>20,834,778</b>	<b>12,094,872</b>			
Agriculture, forestry, and fishing	105,152	104,459	11,985	—	8,833	1,368	81,966	1,040,778	21,495	3,232			
Mining	1,746,686	1,889,279	1,184,747	—	54,747	2,402	524,780	6,805,006	789,198	636,358			
Metal mining	*43,631	*41,381	*35,238	—	*4,740	*27	*13,626	*849,467	8,024	18,122			
Coal mining	69,572	67,414	58,336	—	3,033	—	3,033	—	7,795	64			
Oil and gas extraction	1,500,450	1,500,450	1,069,449	—	35,259	2,375	465,681	6,147,416	776,572	627,676			
Nonmetallic minerals, except fuels	*80,919	*80,034	*69,294	—	*11,715	—	*2,781	*6,779	*8,328	*4,518			
Construction	117,412	114,983	89,027	—	5,843	63	25,779	378,705	83,834	29,234			
General building contracts and operative builders	*80,785	*80,067	*68,646	—	*2,336	*63	*9,922	*251,244	*34,007	*14,385			
Heavy construction contractors	*25,297	*23,745	*16,654	—	*11,633	—	*114,705	*114,705	*47,532	*14,263			
Special trade contractors	*11,330	*11,151	*1,053	—	*330	—	*947	*12,757	—	—			
Manufacturing	45,053,227	44,305,507	17,490,318	11,328	5,892,930	1,306,926	20,352,625	52,581,878	17,556,110	10,596,281			
Food and kindred products	2,349,202	2,420,632	765,270	—	315,801	117,742	1,250,368	2,136,062	901,287	541,796			
Tobacco manufactures	1,760,529	1,756,615	710,299	—	158,242	5,617	1,525,440	1,201,650	140,972	40,553			
Textile mill products	162,427	258,920	25,251	—	50,041	1,480	179,655	89,456	41,126	19,897			
Apparel and other textile products	388,019	253,840	13,290	—	18,465	422	262,395	102,157	19,256	7,511			
Lumber and wood products	216,016	215,421	1,314	—	13,436	744	200,521						

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued  
[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	Foreign income and taxes reported on Form 1118—Continued						Oil and gas extraction gross income (less loss)			
	Gross income (less loss) excluding branch operations and specially allocable income—Continued						Total	From extraction of oil or gas	From sale of business assets	Dividends from foreign corporations
	Interest income	Rents, royalties and license fees	Service income	Net capital gain	Partnership income (net)	Other income				
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	
<b>All industries</b>	<b>17,723,038</b>	<b>8,818,002</b>	<b>6,119,912</b>	<b>780,459</b>	<b>321,385</b>	<b>17,761,280</b>	<b>28,903,371</b>	<b>19,471,137</b>	<b>61,696</b>	<b>7,447,512</b>
<b>Agriculture, forestry, and fishing</b>	<b>6,087</b>	<b>19,818</b>	<b>935,121</b>	<b>-978</b>	<b>-87</b>	<b>58,310</b>				<b>819,672</b>
Mining	116,420	532,888	516,522	469	244,516	3,968,630	1,948,488	1,036,312	59,898	
Metal mining	11,681	429	317,491		200,031	103,688				
Coal mining	1,711						1,948,488	1,036,312	59,898	819,672
Oil and gas extraction	102,497	532,458	198,320	469	44,485	3,864,942				
Nonmetallic minerals, except fuels	540	(1)	710							
Construction	14,867	17,078	27,064	1,205	192,115	13,509				
General building contracts and operative builders	10,065	3,908	2,554		184,244	2,072				
Heavy construction contractors	4,802	13,170	24,510	681	7,872	1,886				
Special trade contractors				525	9,551					
<b>Manufacturing</b>	<b>2,888,339</b>	<b>8,235,413</b>	<b>2,996,425</b>	<b>701,673</b>	<b>-138,137</b>	<b>10,139,774</b>	<b>24,305,516</b>	<b>17,810,710</b>	<b>21,715</b>	<b>6,603,861</b>
Food and kindred products	133,852	314,543	42,952	7,006	-1,306	198,091				
Tobacco manufactures	22,132	183,280	584,160	16,187	-	214,365	28,594	28,594		
Textile mill products	4,055	13,146	4,787	53	128	6,213				
Apparel and other textile products	16,919	47,907	3,597	32		7,023				
Lumber and wood products	16,916	1,578	1,406	-6,460	65	6,884				
Furniture and fixtures	118	2,424	123			3				
Paper and allied products	45,816	169,059	16,104	21,174	-22	39,702				
Printing and publishing	29,347	114,337	83,894	17,220	-206	91,025				
Chemicals and allied products	353,907	690,659	151,448	82,804	-5,321	759,433	1,595,893	711,209	517	887,871
Petroleum (including integrated) and coal products	1,140,539	1,584,252	674,849	43,925	-164,358	7,984,374	22,668,647	17,059,727	21,199	5,715,791
Rubber and miscellaneous plastics products	11,115	103,206	56,955	39,642	-108	29,804				
Leather and leather products	833	4,148	4,397	28,424	-2,732	34,770				
Stone, clay, and glass products	32,682	96,571	11,948	14,855	-	6,287	362	362		
Primary metal industries	35,228	184,202	9,161	14,102	-	107,415				
Fabricated metal products	51,556	121,521	32,352	14,102	-	107,415				
Machinery, except electrical	361,025	3,313,787	277,652	-7,040	-425	241,527	10,818	10,818		
Electrical and electronic equipment	242,799	559,324	221,556	426,601	-1,679	286,303				
Motor vehicles and equipment	150,784	59,823	232,008			73,681				
Transportation equipment, except motor vehicles	144,907	137,168	196,425	-4,214	26,345	-132				
Instruments and related products	90,053	236,715	-7,058	2,614	428	39,988				
Miscellaneous manufacturing products and manufacturing not allocable	4,815	27,744	797	199	41	8,568				
<b>Transportation and public utilities</b>	<b>79,989</b>	<b>116,608</b>	<b>957,185</b>	<b>2,057</b>	<b>10,760</b>	<b>688,943</b>	<b>596,096</b>	<b>595,098</b>	<b>10</b>	
Transportation	30,655	57,726	601,809	1,514	1,571	24,881	24,512	22,959		
Water transportation	1,243	-1,530	601,809	127	1,342	22,421	23,751	22,422		
Other transportation	29,412	59,257	405,691	1,387	230	2,560	761	538		
Communication	8,379	40,685	238,049	378	6,710	166,194				
Electric, gas, and sanitary services	40,955	18,197	117,307	165	2,478	495,768	571,584	572,139	10	
<b>Wholesale and retail trade</b>	<b>411,828</b>	<b>188,492</b>	<b>94,151</b>	<b>9,655</b>	<b>4,013</b>	<b>487,513</b>	<b>52,869</b>	<b>28,624</b>	<b>74</b>	<b>24,171</b>
Wholesale trade	300,394	103,208	65,291	9,416	2,064	348,785	52,869	28,624	74	24,171
Groceries and related products	7,902	156				500				
Machinery, equipment, and supplies	14,639	8,618	39,026	2,333	273	55,319				
Miscellaneous wholesale trade	277,853	94,235	26,266	7,083	1,791	292,966	52,869	28,624	74	24,171
Drugs, chemicals, and allied products	2,401	7,055	463	106		73,520				
Petroleum and petroleum products	24,074	3,109	536	98		10,860				
Other miscellaneous wholesale trade	251,378	84,070	25,267	6,879	1,791	158,586	28,696	28,624	74	24,171
Retail trade	111,533	85,283	28,859	240	1,949	138,728				
Building materials, garden supplies, and mobile home dealers	19	448	503			339				
General merchandise stores	91,726	6,111	32,031	-540		81,165				
Food stores	158	13,665	12	780		2,123				
Apparel and accessory stores	81	3,555				2,436				
Eating and drinking places	15,127	52,320	4,204			27,231				
Miscellaneous retail stores	4,441	9,183	-7,890			2,922				
<b>Finance, insurance, and real estate</b>	<b>14,180,827</b>	<b>178,385</b>	<b>638,855</b>	<b>61,716</b>	<b>-4,224</b>	<b>1,784,848</b>	<b>402</b>	<b>393</b>	<b>393</b>	
Banking	12,882,195	99,738	237,151	26,809	-4,202	271,177	393	393		
Credit agencies other than banks	340,558	24,344	105,672	9,626		16,999				
Security, commodity brokers, and services	35,586	944	31,673	1	8	65,530				
Insurance carriers	892,047	12,735	230,362	17,036	1	21,255				
Insurance agents, brokers and services	1,750	3,506	29,336		5	67,390				
Real estate	381									
Holding and other investment companies except bank holding companies	28,411	33,869	2,441	8,344		13,975				
<b>Services</b>	<b>24,473</b>	<b>531,544</b>	<b>353,810</b>	<b>4,460</b>	<b>12,428</b>	<b>644,055</b>				
Hotels and other lodging places	438	8,138	3,977	-20		1,279				
Personal services	1,128	1,093	80,947	2,233		1,000				
Business services	14,542	142,768	154,314	2,241	747	448,016				
Auto repair, miscellaneous repair services	2,763	2,000	4,508							
Amusement and recreational services		367,156	5,063		1,346	6,819				
Other services	5,601	10,389	105,002		10,335	186,538				

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued  
[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	Foreign income and taxes reported on Form 1118—Continued									
	Oil and gas extraction gross income (less loss)—Continued			Deductions other than from branch operations and specially allocable income						
	Includable income of Controlled Foreign Corporations	Partnership income	Total	Deductions allocable to specific types of income			Deductions not allocable to specific types of income			
Depreciation, depletion and amortization				Rental, royalty and licensing expenses	Other	Service expenses	Other deductions	Total	Research and development expenses	
(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	
<b>All industries</b>	<b>2,773</b>	<b>-99,748</b>	<b>30,766,638</b>	<b>25,481,874</b>	<b>320,279</b>	<b>654,435</b>	<b>2,286,314</b>	<b>21,820,836</b>	<b>13,284,782</b>	<b>42,721</b>
<b>Agriculture, forestry, and fishing</b>			<b>991,200</b>	<b>964,047</b>				<b>964,047</b>	<b>27,153</b>	<b>5,785</b>
Mining	32,609	4,315,160	4,099,417	64,145	58,696	332,149	184,690	3,844,457	215,743	10
Metal mining		535,623	535,623	4,067				340,866		
Coal mining										
Oil and gas extraction	32,609	3,778,339	3,563,251	60,077	58,696	147,460		3,297,048	215,098	10
Nonmetallic minerals, except fuels		1,198	543	(1)				556		
Construction			<b>91,590</b>	<b>36,670</b>		<b>913</b>		<b>12,631</b>	<b>23,228</b>	
General building contracts and operative builders			46,325	2,075		1,532		544	44,249	
Heavy construction contractors			44,232	34,523		913	10,999	22,611	9,708	
Special trade contractors			1,040	72				72	968	
<b>Manufacturing</b>	<b>17</b>	<b>-130,587</b>	<b>17,012,611</b>	<b>13,461,379</b>	<b>181,381</b>	<b>654,307</b>	<b>827,844</b>	<b>11,797,847</b>	<b>3,651,232</b>	<b>27,995</b>
Food and kindred products			507,889	322,184		58,739	8,747	254,698	185,705	3,272
Tobacco manufactures			677,048	238,333	1,381	1,263	5,371	3,318	638,716	
Textile mill products			17,228	9,567			4,430	3,828	7,661	
Apparel and other textile products			34,706	19,334	11	4,683	1,523	13,114	15,373	
Lumber and wood products			10,721	3,444		281	131	3,032	7,671	
Furniture and fixtures			155					60	95	
Paper and allied products			183,659	128,899		860	3,520	124,509	54,780	
Printing and publishing			202,806	184,471	374	31,533	58,261	84,202	18,336	
Chemicals and allied products			-3,703	1,837,709	1,145,641	457	10,183	52,636	1,082,355	692,069
Petroleum (including integrated) and coal products	17	-128,868	8,520,323	7,886,290	122,121	388,247	221,008	7,250,834	538,124	4,382
Rubber and miscellaneous plastics products			73,652	296,736	71	2,448	1,557	16,710	52,666	
Leather and leather products			6,006	4,300				4,300	1,706	
Stone, clay, and glass products			120,782	57,819	648	14,925	12,669	29,377	63,163	2,074
Primary metal industries			192,097	138,650	30,141	62,752	225	45,833	53,147	2,721
Fabricated metal products			210,008	117,748	683	1,012	21,696	93,958	92,260	634
Machinery, except electrical			1,129,513	1,777,646	9,118	11,284	132,223	1,624,921	351,867	14,738
Electrical and electronic equipment	(1)		1,000,003	765,834	295	47,048	72,110	646,383	234,169	163

All Corporation Returns with Foreign Tax Credit  
 Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Major industry	Foreign income and taxes reported on Form 1118—Continued									
	Deductions other than from branch operations and specially allocate income—Continued		Deductions from oil and gas extraction income			Taxable income (less loss)				Receipts of prior year foreign losses
	Interest expenses	General and administrative expenses	Total	Allocable to specific types of income	Not allocable to specific types of income	Before loss recapture				
						Total	Foreign branch income	Specially allocate income (Section 863 (b))	Other than from branch operations and specially allocate income	
(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	
All industries	4,637,838	1,388,214	9,496,672	9,306,920	179,752	63,587,976	14,541,126	2,359,760	46,687,069	181,248
Agriculture, forestry, and fishing	10,594	9,361	49,734	49,734	—	49,734	635	—	49,998	5,941
Mining	53,888	75,050	488,906	394,426	94,478	2,818,291	328,445	—	2,489,846	5,541
Metal mining	—	—	—	—	—	115,187	1,344	—	113,150	—
Coal mining	—	—	—	—	—	129,058	127,253	—	1,795	—
Oil and gas extraction	53,888	75,050	488,906	394,426	94,478	2,564,710	195,632	—	2,369,078	5,541
Nonmetallic minerals, except fuels	—	—	—	—	—	9,336	*4,206	—	5,130	—
Construction	4,241	2,218	—	—	—	295,251	4,888	3,243	287,109	1,899
General building contracts and operative builders	—	—	—	—	—	*206,244	*1,325	—	*207,920	*606
Heavy construction contractors	4,241	2,218	—	—	—	*76,210	*2,494	—	*70,473	*1,293
Special trade contractors	—	—	—	—	—	*12,787	—	—	*11,717	—
Manufacturing	520,689	632,801	8,699,441	8,636,360	61,081	45,562,499	7,776,440	2,235,392	35,886,467	138,807
Food and kindred products	9,088	5,065	—	—	—	1,783,568	129,900	27,395	1,630,173	1,105
Lumber and wood products	1,321	161,827	18,565	18,565	—	335,478	—	—	335,478	—
Textile mill products	—	—	—	—	—	72,512	318	—	72,228	2,876
Apparel and other textile products	—	—	—	—	—	67,598	1,032	—	67,451	—
Paper and allied products	2	14	—	—	—	90,622	125	937	4,671	—
Printing and publishing	13,585	17,036	—	—	—	570,379	—	—	570,379	—
Chemicals and allied products	866	6,508	—	—	—	654,926	3,485	35,449	615,992	—
Rubber and miscellaneous plastics products	48,096	75,167	187,373	158,170	29,203	313,316	8,454	318,451	5,331,287	6,368
Leather and leather products	3,904	1,840	—	—	—	6,294,322	644,654	318,451	5,331,287	6,368
Furniture and fixtures	—	—	—	—	—	19,131,308	6,392,491	98,154	12,640,664	72,494
Petroleum (including integrated) and coal products	205,820	147,626	8,463,014	8,451,181	31,832	403,733	188	3,940	399,506	603
Rubber and miscellaneous plastics products	14	5	—	—	—	25,430	—	—	25,430	82
Leather and leather products	4,175	10,863	—	—	—	570,379	—	—	570,379	—
Furniture and fixtures	280	26,366	—	—	—	1,735,511	18,102	56,448	317,013	18,339
Petroleum (including integrated) and coal products	55,438	73,087	—	—	—	6,866,751	309,237	599,537	5,957,976	1,321
Rubber and miscellaneous plastics products	16,218	15,287	10,440	10,440	—	2,502,678	206,839	191,197	2,104,541	5,310
Leather and leather products	152,820	61,385	—	—	—	2,502,678	23,601	620,545	1,906,023	1,170
Furniture and fixtures	1,498	2,004	—	—	—	874,967	4,661	12,581	856,865	1,278
Petroleum (including integrated) and coal products	95	6,957	—	—	—	1,378,365	38,844	137,436	1,202,096	671
Miscellaneous manufacturing products and manufacturing not allocable	765	1,409	—	—	—	143,873	20	22,009	121,843	21
Transportation and public utilities	61,442	27,299	277,815	253,423	24,193	1,307,628	184,503	98,320	1,404,806	24,823
Transportation	12,883	27,299	2,480	2,480	—	383,092	132,422	86,143	164,526	11,044
Water transportation	—	26,484	2,305	2,305	—	119,225	18,863	51,200	51,200	—
Other transportation	12,883	816	175	175	—	193,868	13,290	67,280	113,228	11,044
Communication	48,559	—	275,135	250,942	24,193	428,434	8,724	12,005	407,704	13,879
Electric, gas, and sanitary services	—	—	—	—	—	496,102	23,356	172	472,574	5,002
Wholesale and retail trade	110,220	8,056	20,710	20,710	—	1,319,926	16,801	10,910	1,292,214	6,002
Wholesale trade	96,957	383	20,710	20,710	—	779,582	11,583	11,243	756,757	5,002
Groceries and related products	—	—	—	—	—	24,117	—	—	24,117	—
Machinery, equipment, and supplies	—	—	—	—	—	44,192	47	—	44,146	—
Miscellaneous wholesale trade	96,957	383	20,710	20,710	—	711,273	11,536	11,243	688,494	5,002
Drugs, chemicals, and allied products	14	383	—	—	—	33,512	—	—	33,512	—
Petroleum and petroleum products	—	—	—	—	—	*385,934	*-35	—	*385,969	—
Other miscellaneous wholesale trade	96,943	—	19,278	19,278	—	291,827	12,016	10,248	269,563	5,002
Retail trade	13,263	7,673	—	—	—	540,343	5,218	—	535,458	—
Building materials, garden supplies, and mobile home dealers	—	—	—	—	—	529	—	—	529	—
General merchandise stores	12,601	79	—	—	—	268,446	—	8	270,782	—
Food stores	—	—	—	—	—	149,205	—	—	149,205	—
Apparel and accessory stores	—	—	—	—	—	8,635	—	—	8,635	—
Eating and drinking places	662	7,594	—	—	—	71,451	—	—	71,451	—
Miscellaneous retail stores	—	—	—	—	—	42,077	—	—	42,077	—
Finance, insurance, and real estate	3,872,741	630,798	—	—	—	11,503,915	8,201,063	7,290	5,294,962	3,793
Banking	3,843,595	624,935	—	—	—	9,830,790	5,991,349	3,060	3,839,381	25
Credit agencies other than banks	—	—	—	—	—	368,657	93,771	—	274,886	—
Security, commodity brokers, and services	17	1,841	—	—	—	147,042	20,753	—	126,289	—
Insurance carriers	24,874	3,779	—	—	—	913,297	95,221	3,169	814,907	2,268
Insurance agents, brokers and services	4,254	—	—	—	—	28,425	3,981	—	12,842	—
Real estate	—	—	—	—	—	16,824	—	—	16,824	—
Holding and other investment companies except bank holding companies	1	230	—	—	—	200,881	—	1,061	203,232	904
Services	3,821	631	—	—	—	710,732	45,542	5,104	660,086	4,078
Hotels and other lodging places	2,866	—	—	—	—	22,627	14,252	—	8,375	541
Business services	44	631	—	—	—	49,303	684	—	48,619	3,465
Auto repair; miscellaneous repair services	256	—	—	—	—	280,118	22,927	833	256,258	7,265
Amusement and recreational services	—	—	—	—	—	14,865	7,580	—	7,285	—
Other services	655	—	—	—	—	233,088	628	2,011	231,791	67
Footnotes at end of table	—	—	—	—	—	110,732	720	2,160	107,845	—

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit  
 Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Major industry	Foreign income and taxes reported on Form 1118—Continued									
	Taxable income (less loss) Continued	Foreign losses available for credit								Other taxes paid or accrued on
		After loss recapture	Total after recapture	Reduction for certain foreign taxes	Total before reduction	Paid or accrued				
	Total					Dividends	Interest	Rents royalties and license fees	Branch income	Service income
(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	
All industries	63,406,730	27,008,241	1,596,589	26,804,831	11,233,040	1,398,265	858,651	1,088,086	5,047,204	261,441
Agriculture, forestry, and fishing	49,734	35,078	—	35,078	8,948	692	23	894	297	8,347
Mining	2,812,750	3,071,799	121,503	3,193,303	898,485	30,323	7,657	5,728	131,343	74,059
Metal mining	*115,187	*136,048	*7,813	*143,859	*103,510	*1,174	*66	—	*542	—
Coal mining	—	—	—	—	65,870	—	—	—	—	—
Oil and gas extraction	2,559,169	2,875,938	10,674	2,886,612	5,710,536	29,112	7,205	5,726	64,976	15,756
Nonmetallic minerals, except fuels	9,336	*1,224	—	*1,224	*570	—	—	—	*29	—
Construction	293,352	114,712	—	114,712	73,811	3,363	940	832	3,477	3,437
General building contracts and operative builders	*205,639	*82,147	—	*82,147	*63,868	*683	—	—	*907	*216
Heavy construction contractors	*74,916	*31,212	—	*31,212	*9,186	*2,389	*340	*587	*1,904	*3,221
Special trade contractors	*12,797	*1,352	—	*1,352	*757	*91	—	—	*666	—
Manufacturing	45,446,892	20,696,675	1,420,448	22,115,723	8,451,344	1,245,158	168,138	1,034,283	4,319,414	131,909
Food and kindred products	1,782,463	847,548	47	847,593	228,842	93,585	9,438	22,519	91,884	3,364
Tobacco manufactures	329,499	71,053	6,791	77,844	30,894	3,791	1,438	10,069	4,841	4,963
Textile mill products	69,630	30,694	—	30,694	13,858	6,032	1,243	437	1,136	230
Apparel and other textile products	67,598	13,858	—	13,858	6,032	1,243	437	1,136	1,136	355
Lumber and wood products	76,141	27,843	6	27,850	8,039	5,222	2,310	173	200	—
Furniture and fixtures	6,744	1,318	—	1,318	430	100	—	—	44	18
Paper and allied products	654,926	278,520	—	278,520	59,814	28,049	2,035	1,258	17,842	843
Printing and publishing	313,316	130,913	—	130,913	39,127	8,043	2,556	5,291	5,974	—
Chemicals and allied products	6,294,322	2,646,892	74,364	2,721,246	740,894	206,304	21,700	70,617	412,889	6,688
Petroleum (including integrated) and coal products	19,058,614	10,957,777	1,324,287	12,282,064	5,874,536	320,665	79,592	623,402	3,371,912	43,608
Rubber and miscellaneous plastics products	403,129	146,146	3	146,149	44,492	16,437	4,437	13,654	845	4,070
Leather and leather products	25,347	9,126	—	9,126	2,269	2,169	—	8,495	4,824	899
Stone, clay, and glass products	26,347	264,994	2	264,996	148,002					

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	Foreign income and taxes reported on Form 1118—Continued										
	Foreign taxes available for credit—Continued					Foreign tax credit computed					Income and taxes of related foreign corporations and DISC's
	Paid or accrued—Continued		Deemed paid	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations	Gains, profits and income	Taxes paid on gains, profits and income	Dividends paid or constructively distributed to domestic corporations	
	Partnership income	Other income									
(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)		
All industries	123,054	2,346,140	12,094,868	5,278,923	21,415,963	1,843	21,414,121	68,372,124	28,200,709	16,459,170	
Agriculture, forestry, and fishing	—	496	3,231	22,898	11,985	—	11,985	17,823	6,194	5,802	
Mining	42,393	597,584	636,358	1,667,460	1,164,747	—	1,164,747	1,798,330	1,131,217	425,089	
Metallurgy	41,836	1,381	8,122	32,227	35,239	—	35,239	28,696	15,713	7,058	
Coal mining	—	—	—	—	56,836	—	56,836	—	—	—	
Oil and gas extraction	557	596,203	627,678	1,635,138	1,069,449	—	1,069,449	1,698,953	1,111,476	417,551	
Nonmetallic minerals, except fuels	—	—	560	95	1,224	—	1,224	8,880	4,028	471	
Construction	62,088	174	29,234	86,027	86,027	—	86,027	185,805	38,985	61,168	
General building contracts and operative builders	61,344	174	14,385	3,894	58,644	—	58,644	38,547	12,900	25,648	
Heavy construction contractors	744	—	14,263	7,763	16,509	—	16,509	111,134	24,795	35,706	
Special trade contractors	—	—	586	9	1,093	—	1,093	1,651	834	—	
Manufacturing	8,172	1,544,288	10,596,281	3,068,998	17,486,392	1,842	17,484,550	60,519,460	23,285,394	14,059,980	
Food and kindred products	636	7,296	541,796	76,956	765,200	420	764,780	2,327,965	787,054	781,044	
Tobacco manufactures	—	11,455	40,553	—	71,029	—	71,029	316,341	56,534	98,338	
Textile mill products	144	85	19,897	4,712	25,251	—	25,251	163,078	57,449	28,920	
Apparel and other textile products	24	312	7,511	314	13,669	—	13,289	68,451	21,044	18,192	
Lumber and wood products	—	—	861	26	1,314	—	1,314	6,787	3,006	1,165	
Furniture and fixtures	—	135	170,499	48,207	245,679	—	245,679	93,508	721,291	279,303	
Paper and allied products	2,489	15,636	75,609	10,177	93,508	—	93,508	1,004,343	360,072	202,553	
Printing and publishing	—	19,907	1,734,610	245,941	2,414,530	202	2,414,328	8,051,011	2,802,260	2,700,939	
Chemicals and allied products	—	14,347,575	4,085,167	2,322,824	8,495,722	—	8,495,722	19,917,718	7,491,872	4,575,521	
Petroleum (including integrated) and coal products	—	5,388	74,616	27,040	136,352	204	136,148	513,258	178,510	121,601	
Rubber and miscellaneous plastics products	—	776	5,862	27	7,655	—	7,655	18,481	5,595	7,711	
Leather and leather products	—	1,432	189,070	17,772	224,006	15	223,991	958,742	332,146	231,781	
Stone, clay, and glass products	—	808	345,686	21,031	416,983	—	416,983	1,585,737	585,530	515,584	
Primary metal industries	3,184	27,717	1,685,872	49,417	2,259,524	—	2,259,524	10,042,424	4,535,903	1,995,511	
Fabricated metal products	1,369	6	11,806	292,921	66,643	191	2,259,333	10,042,424	4,535,903	1,995,511	
Machinery, except electrical	—	1,145	4,374	729,231	83,133	16	83,117	2,043,309	713,915	508,044	
Electrical and electronic equipment	6	372	142,558	17,365	213,206	—	213,206	8,677,048	3,546,122	1,226,871	
Motor vehicles and equipment	225	40	664	336,482	9,601	851	404,692	2,188,793	918,426	468,896	
Transportation equipment, except motor vehicles	—	—	—	—	50,833	3	50,830	192,978	70,252	56,117	
Instruments and related products	9	294	40,065	10,869	50,833	—	50,833	192,978	70,252	56,117	
Miscellaneous manufacturing products and manufacturing not allocable	—	134,002	129,905	84,199	354,738	—	354,738	945,333	248,071	352,668	
Transportation and public utilities	2,275	12,480	15,580	8,254	56,331	—	56,331	149,480	26,172	56,159	
Transportation	750	8,407	534	355	19,752	—	19,752	55,054	1,847	17,163	
Water transportation	124	4,073	15,045	7,789	35,879	—	35,879	94,426	24,524	39,996	
Other transportation	775	5,785	69,792	1,040	104,752	—	104,752	301,895	144,370	162,347	
Communication	628	115,737	44,534	74,806	194,356	—	194,356	293,958	77,529	134,162	
Electric, gas, and sanitary services	—	—	—	—	482,406	1	482,406	2,147,959	653,041	696,028	
Wholesale and retail trade	1,087	8,887	340,314	143,708	300,619	1	300,619	1,148,407	307,764	407,406	
Wholesale trade	1,035	6,120	199,064	86,045	300,619	1	300,619	1,148,407	307,764	407,406	
Groceries and related products	—	1	4,497	103	5,764	—	5,764	11,897	5,065	6,061	
Machinery, equipment, and supplies	—	1,480	7,864	6,714	12,595	—	12,595	39,855	14,947	15,282	
Miscellaneous wholesale trade	1,035	4,639	186,703	79,228	282,260	1	282,260	1,096,656	287,752	386,083	
Drugs, chemicals, and allied products	—	906	8,729	8,669	13,689	1	13,688	43,358	17,525	14,507	
Petroleum and petroleum products	—	1,645	115,973	44,342	169,183	—	169,183	380,250	115,973	242,477	
Other miscellaneous wholesale trade	1,035	2,089	61,002	26,217	99,389	—	99,389	692,537	154,254	129,609	
Retail trade	52	2,547	141,250	57,662	181,788	—	181,788	999,552	345,277	288,622	
Building materials, garden supplies, and mobile home dealers	—	—	—	106	199	—	199	—	—	—	
General merchandise stores	—	944	69,966	31,165	83,070	—	83,070	732,221	226,642	194,065	
Food stores	—	316	56,490	310	60,368	—	60,368	129,872	56,518	73,199	
Apparel and accessory stores	—	1,033	5,170	—	2,117	—	2,117	1,636	187	24,424	
Eating and drinking places	52	228	6,618	1,595	17,786	—	17,786	85,257	37,165	12,115	
Miscellaneous retail stores	—	9	8,006	24,467	18,248	—	18,248	50,567	24,566	24,566	
Finance, insurance, and real estate	4,145	44,878	287,437	194,017	1,616,278	—	1,616,278	2,294,348	684,603	678,363	
Banking	438	22,855	129,298	65,123	1,328,811	—	1,328,811	446,682	408,200	408,200	
Credit agencies other than banks	1,445	7,106	27,557	28,493	53,297	—	53,297	90,117	30,946	13,417	
Security, commodity brokers, and services	2	81	3,234	1,346	10,177	—	10,177	74,976	10,137	72,198	
Insurance carriers	1,947	12,939	35,707	50,813	130,915	—	130,915	170,865	55,523	6,289	
Insurance agents, brokers and services	312	37	6,444	1,589	6,458	—	6,458	15,711	28,823	5,338	
Real estate	—	2,208	—	—	—	—	—	14,454	6,186	—	
Holding and other investment companies except bank holding companies	—	62	61,561	46,653	78,527	—	78,527	332,129	84,306	126,897	
Services	2,893	15,951	92,106	84,876	203,391	—	203,391	545,145	177,204	161,949	
Hotels and other lodging places	—	519	—	145	5,528	—	5,528	118,765	53,046	63,092	
Personal services	—	1,205	19,304	7,150	21,741	—	21,741	79,849	25,981	29,584	
Business services	672	3,569	44,593	45,340	83,181	—	83,181	213,414	78,848	79,541	
Auto repair, miscellaneous repair services	137	1,077	17,573	21,111	56,762	—	56,762	179,160	32,464	44,881	
Amusement and recreational services	2,084	9,580	7,656	11,131	20,973	—	20,973	26,972	—	—	

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit  
Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry	Foreign income and taxes reported on Form 1118—Continued										
	Foreign taxes available for credit—Continued					Foreign tax credit computed					Income and taxes of related foreign corporations and DISC's
	Paid or accrued—Continued		Deemed paid	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations	Gains, profits and income	Taxes paid on gains, profits and income	Dividends paid or constructively distributed to domestic corporations	
	Partnership income	Other income									
(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)		
All industries	4,389,878	5,617,042	255,688	7,241,862	1,879,031	3,070,724	391,245	1,320,487	—	—	
Agriculture, forestry, and fishing	—	—	—	—	—	—	—	—	—	—	
Mining	1,255	20,943	10,000	160,001	31,899	87,655	1,007	17,998	—	—	
Metallurgy	—	—	—	—	—	—	—	—	—	—	
Coal mining	—	—	—	—	—	—	—	—	—	—	
Oil and gas extraction	1,255	20,943	10,000	160,001	31,899	87,655	1,007	17,998	—	—	
Nonmetallic minerals, except fuels	—	—	—	—	—	—	—	—	—	—	
Construction	21,314	30,171	—	38,378	4,868	13,119	—	1,968	—	—	
General building contracts and operative builders	1,486	1,160	—	38,378	4,868	13,119	—	1,968	—	—	
Heavy construction contractors	19,829	29,011	—	—	—	—	—	—	—	—	
Special trade contractors	—	—	—	—	—	—	—	—	—	—	
Manufacturing	4,168,161	5,235,712	205,642	6,228,742	1,720,656	2,431,048	355,783	1,176,440	—	—	
Food and kindred products	185,337	360,448	85,670	442,677	222,316	203,209	44,000	121,380	—	—	
Tobacco manufactures	52,409	94,875	—	141,478	24,423	51,026	24,340	22,863	—	—	
Textile mill products	11	11	—	22,492	10,971	9,382	1,007	17,998	—	—	
Paper and allied products	—	—	—	140,332	530	4,601	—	208	—	—	
Furniture and fixtures	1,530	2,430	—	39,304	3,601	1,530	—	11,141	—	—	
Printing and publishing	36,237	46,309	5,208	47,076	13,547	21,521	4,291	13,088	—	—	
Chemicals and allied products	3,580	3,762	3,088	23,784	13,473	9,535	—	9,535	—	—	
Petroleum (including integrated) and coal products	3,107,907	3,434,118	6,414	1,233,990	372,417	434,502	78,230	296,672	—	—	
Rubber and miscellaneous plastics products	7,869	13,770	—	13,711	3,840	7,325	—	2,640	—	—	
Leather and leather products	1,822	3,075	—	18,291	183	194	—	11			

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
Table 2.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of total assets	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from DISC's	Includable income of Controlled Foreign Corporations	Foreign dividend income resulting from foreign sales deemed paid (gross-up)	Net income (less deficit)	Income subject to U.S. tax
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	4,809	4,338,015,288	2,301,756,610	14,854,209	4,856,696	3,882,572	12,094,902	138,927,478	132,953,823
Zero assets	86	—	14,504,099	54,619	20,542	45,029	54,264	1,685,990	1,619,117
\$1 under \$1,000,000	1,374	636,679	807,211	4,603	972	—	1,798	82,969	73,306
\$1,000,000 under \$10,000,000	1,217	4,670,240	6,721,629	26,766	10,888	4,791	18,811	617,601	542,458
\$10,000,000 under \$50,000,000	822	19,981,217	30,792,088	107,970	66,533	41,037	86,745	2,415,915	2,275,859
\$50,000,000 under \$100,000,000	258	18,856,761	25,223,154	71,702	103,087	23,894	52,732	2,095,187	1,959,943
\$100,000,000 under \$250,000,000	291	46,194,161	66,994,730	250,032	155,726	52,405	193,375	4,828,962	4,651,353
\$250,000,000 under \$500,000,000	171	62,550,929	81,150,234	327,504	214,963	62,733	228,649	5,319,640	5,137,551
\$500,000,000 under \$1,000,000,000	162	114,789,752	144,664,941	557,238	294,509	118,655	376,069	8,433,688	8,148,669
\$1,000,000,000 or more	429	4,070,356,550	1,969,888,425	13,253,775	3,999,456	3,533,909	11,082,439	113,447,335	108,545,585

Size of total assets	U.S. income tax before credits					Foreign income and taxes reported on Form 1118				
	Total	Regular and alternative tax	Foreign tax credit claimed	U.S. possession tax credit	General business credit	Other credits	U.S. income tax after credits	Total	Dividends	Dividend gross-up
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Total	59,508,965	58,451,850	21,407,265	12,333	9,104,476	1,391,254	27,593,637	85,453,725	20,834,776	12,094,872
Zero assets	799,949	713,872	147,458	—	46,858	5,235	600,297	772,187	99,647	54,264
\$1 under \$1,000,000	18,499	18,352	4,315	—	512	3	13,669	127,209	4,665	1,794
\$1,000,000 under \$10,000,000	221,743	219,955	34,687	1,087	14,111	5,153	166,705	331,394	33,907	18,789
\$10,000,000 under \$50,000,000	1,019,044	1,011,593	133,139	10,241	77,516	18,750	779,399	856,704	150,948	86,744
\$50,000,000 under \$100,000,000	872,851	866,371	119,354	14,875	18,205	659,616	633,320	100,732	52,749	133,140
\$100,000,000 under \$250,000,000	2,111,344	2,090,145	383,685	1,005	165,951	41,308	1,579,376	2,076,675	319,608	193,375
\$250,000,000 under \$500,000,000	2,295,193	2,277,588	357,297	—	258,696	41,925	1,637,274	1,395,864	418,425	228,649
\$500,000,000 under \$1,000,000,000	3,719,366	3,681,392	682,865	—	482,563	85,256	2,468,682	2,960,395	682,330	376,069
\$1,000,000,000 or more	48,451,175	47,572,583	19,623,866	—	7,963,294	1,175,397	19,688,618	78,299,977	19,024,548	11,082,442

Size of total assets	Foreign income and taxes reported on Form 1118—Continued									
	Gross income (less loss) excluding branch operations and specially allocable income—Continued					Taxable income (less loss)				
	Interest income	Other income	Total gross income (less loss) from extraction of oil or gas	Total deductions excluding branch operations and specially allocable income	Total deductions from oil and gas extraction income	Total	Foreign branch income	Specially allocable income (Section 863(b))	Other than from branch operations and specially allocable income	Reduction of prior year foreign taxes
	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
Total	17,723,038	34,801,037	26,803,371	36,766,636	6,486,672	63,587,876	14,641,128	2,359,790	46,687,089	181,248
Zero assets	345,475	272,801	30,024	92,452	—	626,313	41,359	14,878	570,077	2,992
\$1 under \$1,000,000	116	120,534	—	—	—	34,756	—	—	34,756	—
\$1,000,000 under \$10,000,000	11,057	267,647	5,971	197,895	1,271	138,011	1,703	809	133,499	494
\$10,000,000 under \$50,000,000	38,204	580,806	109,074	431,150	48,655	462,548	29,098	7,895	425,554	4,207
\$50,000,000 under \$100,000,000	22,225	457,645	67,831	281,124	30,246	388,975	16,600	20,179	352,196	1,069
\$100,000,000 under \$250,000,000	75,003	1,488,590	585	1,295,041	46	942,671	29,303	31,333	781,634	1,114
\$250,000,000 under \$500,000,000	190,665	618,296	261,614	516,727	95,195	1,011,966	66,454	71,675	679,137	1,748
\$500,000,000 under \$1,000,000,000	271,155	1,830,844	199,657	1,175,237	68,549	2,068,203	210,149	102,896	1,785,158	4,861
\$1,000,000,000 or more	16,829,218	29,363,770	26,228,616	34,574,899	9,242,708	57,986,933	14,152,390	2,109,495	41,725,078	164,762

Size of total assets	Foreign income and taxes reported on Form 1118—Continued									
	Taxable income (less loss)—Continued	Foreign taxes available for credit								Other income
	After loss recapture	Total after reduction	Reduction for certain foreign taxes	Total before reduction	Total	Dividends	Interest	Rents, royalties and license fees	Branch income	
	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)
Total	63,406,730	27,008,241	1,596,589	28,604,831	11,233,040	1,398,265	958,851	1,099,088	5,047,204	2,736,894
Zero assets	623,321	171,590	76	171,666	63,098	3,339	34,183	2,030	481	2,671
\$1 under \$1,000,000	34,756	17,189	—	17,169	4,902	421	8	1,802	—	12,599
\$1,000,000 under \$10,000,000	135,517	47,760	—	47,760	16,716	1,274	779	3,596	864	22,267
\$10,000,000 under \$50,000,000	458,341	198,208	1,268	199,476	80,859	9,447	2,370	11,961	14,723	41,239
\$50,000,000 under \$100,000,000	387,907	141,279	1,643	142,922	64,368	8,614	1,440	6,640	6,435	113,145
\$100,000,000 under \$250,000,000	841,757	409,472	74	409,546	166,147	23,439	3,405	13,894	14,304	66,861
\$250,000,000 under \$500,000,000	1,009,618	449,593	27,600	477,193	171,040	29,332	4,107	11,587	28,553	217,084
\$500,000,000 under \$1,000,000,000	2,053,842	843,466	19,350	862,816	394,141	51,654	7,799	22,979	64,625	221,809
\$1,000,000,000 or more	57,822,171	24,729,695	1,546,578	26,276,263	10,317,755	1,270,144	904,760	1,023,726	4,917,220	2,219,899

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
Table 2.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Size of Total Assets—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of total assets	Foreign income and taxes reported on Form 1118—Continued				
	Foreign taxes available for credit—Continued	Foreign tax credit computed			
	Total deemed paid	Carryover available for credit	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations
	(40)	(41)	(42)	(43)	(44)
Total	12,094,868	5,276,923	21,418,983	1,843	21,414,121
Zero assets	54,264	54,304	147,458	—	147,458
\$1 under \$1,000,000	1,791	10,496	4,315	—	4,315
\$1,000,000 under \$10,000,000	18,789	10,253	34,687	—	34,687
\$10,000,000 under \$50,000,000	86,744	51,863	133,140	—	133,140
\$50,000,000 under \$100,000,000	52,749	25,805	119,954	—	119,954
\$100,000,000 under \$250,000,000	183,375	48,024	303,721	15	303,706
\$250,000,000 under \$500,000,000	228,649	77,504	357,298	—	357,297
\$500,000,000 under \$1,000,000,000	376,068	122,603	682,865	—	682,865
\$1,000,000,000 or more	11,082,442	4,876,065	19,622,527	1,827	19,630,700

NOTE: Detail may not add to totals because of rounding.



RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued  
(Money amounts are in thousands of dollars)

Country and DISC demands	Income and taxes from all sources—Continued		Income and taxes from specific geographic area or country							
	Country	Foreign tax credit computed	Total	Dividends	Dividend gross-up	Interest	Rents, royalties and license fees	Service income	Gross income excluding branch operations and specially allocable income (less loss)	
									(11)	(12)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All geographic areas, total</b>	<b>9,076,178</b>	<b>20,872,889</b>	<b>1,827</b>	<b>20,856,238</b>	<b>20,135,302</b>	<b>11,987,150</b>	<b>17,230,958</b>	<b>9,213,891</b>	<b>8,181,153</b>	
<b>Canada</b>	2,180,103	4,446,777	1,827	2,437,378	1,918,928	1,617,138	816,142	1,828,293	238,293	
<b>Latin America, total</b>	4,378,237	19,847,423	1,827	11,948,878	1,994,828	829,811	5,614,337	422,827	967,472	
Mexico	3,153,499	18,516,718	1,827	2,180,929	174,814	66,362	1,549,663	170,131	69,137	
Central America, total	2,325,760	17,005,968	1,808	1,892,791	670,410	153,001	187,724	39,435	765,622	
Honduras	11,204,437	333	—	—	—	—	9,534	2,163	277,380	
Nicaragua	2,829,848	14,771,185	1,769	1,234,819	645,687	141,448	99,921	22,354	311,893	
Caribbean countries, total	3,910,570	17,207,865	1,811	2,047,722	154,887	18,882	544,770	15,306	20,779	
Cayman Islands (British)	2,807,999	12,633,738	1,190	1,607,989	128,517	13,806	440	306	—	
Dominican Republic	1,179,571	12,245,930	1,555	39,953	467	65	20,385	3,970	13,823	
Trinidad and Tobago	2,298,891	12,898,876	1,187	2,776,361	2,723	2,104	18,247	172,767	2,994	
South America, total	4,263,405	19,519,404	1,827	5,612,549	994,641	391,552	2,523,820	208,577	150,926	
Argentina	4,005,658	18,219,346	1,827	5,612,549	994,641	391,552	4,180	419,746	16,812	
Brazil	3,847,663	10,082,693	1,449	2,525,103	875,507	483,530	1,189,702	56,635	16,882	
Chile	2,730,104	15,785,985	1,358	3,894,569	390,500	68,941	18,947	17,737	4,013	
Colombia	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Ecuador	3,868,782	16,547,071	1,769	4,022,413	18,000,298	1,444	596,452	69,608	8,966	
Peru	1,180,210	18,000,298	1,444	596,452	69,608	8,966	30,314	303,362	22,081	
Venezuela	4,183,826	18,848,981	1,811	3,343,483	1,823,203	194,398	1,589,548	11,677	34,938	
Other Western Hemisphere, total	2,698,902	13,579,984	717	1,645,794	1,357,984	84,741	2,862	1,302,299	2,420	
The Bahamas	3,645,794	15,013,515	541	1,645,794	1,357,984	84,741	2,862	1,302,299	2,420	
Netherlands Antilles	4,638,178	20,379,494	1,827	29,235,883	6,029,517	6,497,747	4,618,490	6,199,090	10,847	
Europe, total	4,402,604	20,205,217	1,827	23,598,475	7,001,220	5,897,529	3,476,798	3,367,268	820,804	
Common Market countries, total	2,815,594	16,928,994	1,785	8,625,562	2,860,915	193,108	221,534	170,808	10,491	
Belgium	2,576,481	13,542,825	1,388	3,970,588	1,412,571	361,572	374,079	623,375	33,837	
France (including Andorra)	3,071,658	14,740,900	1,069	1,802,014	6,622	2,331	37,186	11,229	19,649	
Germany	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Italy (including San Marino)	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Luxembourg	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Netherlands	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
United Kingdom	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
West Germany	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Other West European countries, total	4,348,207	19,721,483	1,824	4,908,310	1,824,000	1,824,000	1,824,000	1,824,000	1,824,000	
Austria	2,405,651	13,012,458	1,411	1,303,234	841,988	153,246	358,411	220,211	5,618	
Norway	2,783,510	14,948,863	336	2,131,350	66,873	7,642	45,134	9,003	—	
Spain	3,900,785	17,483,052	1,200	509,692	49,235	1,324	68,041	3,863	11,185	
Sweden	2,322,010	13,096,769	349	1,733,635	22,072	49,657	80,653	8,572	4,834	
Switzerland	2,629,953	13,929,415	205	13,763	63	—	117,277	34,104	1,661	
East European countries, total	4,227,872	19,167,471	1,818	4,067,478	861,773	317,634	131,864	145,189	—	
Africa, total	3,801,184	16,175,132	537	2,159,443	65,263	11,095	79,540	17,235	102,860	
North Africa, total	2,645,788	14,470,979	333	1,581,415	15,101	7,305	38,529	36,800	9,569	
Egypt	1,665,899	8,514,848	131	451,973	—	5,881	299	39,718	—	
Libya	3,518,773	13,268,512	862	59,388	23,828	16,878	3,401	1,284	8,974	
East Africa, total	3,671,072	15,456,261	638	1,244,365	291,060	73,272	104,007	6,002	21,779	
Kenya	3,322,638	11,795,205	122	404,106	64,882	46,271	3,394	7,085	9,077	
Nigeria	1,965,038	10,200,005	466	1,709	1,019	522	864	—	—	
Zaire	2,923,036	16,808,623	1,818	601,822	216,500	63,204	105,299	9,878	—	
Southern Africa, total	2,878,261	16,401,802	1,818	984,572	176,852	201,327	80,148	100,073	9,077	
South Africa (includes Namibia)	887,812	15,221,660	1,186	13,763	63	—	117,277	34,104	1,661	
Zimbabwe	4,999,840	20,242,208	1,827	14,825,899	2,885,020	1,801,608	2,317,890	2,088,980	1,378,777	
Asia, total	1,440,559	17,357,184	1,389	4,980,475	445,793	15,008	262,745	540,669	459,399	
Middle East, total	1,294,300	13,388,266	1,386	1,303,152	11,234	5,643	37,719	24,477	2,294	
Iran	2,245,242	9,802,612	—	—	—	—	—	—	—	
Israel	745,898	8,453,763	—	14,406	4,019	1,167	97	924	2,110	
Kuwait	2,920,399	13,141,632	539	3,993,502	402,989	2,274	40,800	487,764	314,119	
Saudi Arabia	2,224,877	13,093,409	—	733,909	10,933	86	24,924	9,829	121,690	
United Arab Emirates	4,298,181	18,445,160	1,788	4,142,557	1,106,480	617,480	594,763	160,280	455,138	
Southern and Southeastern Asia, total	2,824,805	16,437,415	1,273	2,002,066	14,834	17,244	25,894	120,123	114,175	
India	3,810,681	15,384,659	1,237	2,436,631	720,845	467,886	74,474	14,994	14,573	
Malaysia	2,780,241	14,178,744	1,782	1,685,515	54,911	43,204	46,548	14,994	14,573	
Indonesia	3,868,564	16,875,872	1,269	390,118	12,582	4,695	127,031	30,857	108,868	
Philippines	3,868,564	16,875,872	1,269	390,118	12,582	4,695	127,031	30,857	108,868	
Singapore	3,868,564	16,875,872	1,269	390,118	12,582	4,695	127,031	30,857	108,868	
Thailand	3,868,564	16,875,872	1,269	390,118	12,582	4,695	127,031	30,857	108,868	
Other Asia, total	4,365,310	19,881,458	1,827	5,625,636	1,102,747	869,118	1,416,020	1,365,979	464,020	
China	3,332,444	9,827,586	409	50,413	153	10,887	19,947	18,947	16,852	
Hong Kong	2,862,789	15,778,645	1,581	703,303	290,986	36,302	199,101	42,484	81,025	
Japan (Okinawa, Ryukyu)	4,199,612	19,304,076	1,827	4,047,125	703,783	600,120	821,725	1,213,944	298,699	
South Korea, Republic of	2,814,097	14,473,735	1,243	518,565	55,520	18,100	303,223	48,400	26,512	
Taiwan	2,893,480	10,233,985	392	876,805	56,711	13,760	68,638	36,879	82,328	
Oceania, total	4,144,138	18,544,068	1,827	2,004,814	496,145	388,120	282,608	340,578	82,138	
Australia	4,143,164	18,588,230	1,650	1,864,255	389,254	371,323	236,045	297,955	65,343	
New Zealand	2,944,303	16,262,302	1,404	1,227,771	19,284	22,497	42,268	8,176	—	
Puerto Rico and U.S. Possessions, total	2,840,714	18,131,991	1,581	1,331,824	263,740	27,174	88,689	36,600	262,992	
Puerto Rico	2,825,356	15,924,705	1,581	1,106,540	199,022	26,315	91,270	49,175	240,547	
U.S. possessions, total	1,165,957	11,750,117	1,164	1,044,658	1,644,309	228,123	1,044,194	—	—	
Country not stated	4,105,013	19,306,969	1,824	3,710,118	24,812	4,354	1,664,309	228,123	1,044,194	
DISC dividends	879,214	8,482,437	1,229	1,688,074	1,678,888	7,387	—	—	—	
OPIC countries, total (included above)	4,768,843	19,291,808	1,447	8,236,597	1,389,165	582,910	685,184	637,420	891,588	

Footnotes at end of table

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued  
(Money amounts are in thousands of dollars)

Country and DISC demands	Gross income excluding branch operations and specially allocable income (less loss)		Income and taxes from specific geographic area or country—Continued								
	Net capital gain	Paraphernalia income	Other income	Total	From extraction of oil or gas	From sale of business assets	Depreciation from foreign corporations	Includes income of foreign corporations	Partnership income	Oil and gas extraction gross income (less loss)	
										(26)	(27)
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
<b>All geographic areas, total</b>	<b>743,295</b>	<b>300,502</b>	<b>15,174,209</b>	<b>26,489,688</b>	<b>16,334,688</b>	<b>11,691,681</b>	<b>7,468,841</b>	<b>2,796</b>	<b>-108,007</b>		
Canada	81,076	196,225	1,854,419	1,807,926	1,317,187	48,883	442,098	2,796	-108,007		
Latin America, total	-4,684	20,393	2,874,984	2,150,698	1,012,608	1,012	2,151				
Mexico	-7,568	298	2,874,984	2,150,698	1,012,608	1,012	2,151				
Central America, total	1,322	1,609	149,691	1,733	—	—	—				
Honduras											

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued

(Money amounts are in thousands of dollars)

Country and DISC dividends	Income and taxes from specific geographic area or country—Continued									
	Deductions other than from branch operations and specially allocable income									
	Deductions allocable to specific types of income					Deductions not allocable to specific types of income				
	Total	Total	Rental, royalty, and licensing expenses	Service expenses	Other deductions	Total	Research and development	Interest	General and administrative	
(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
<b>All geographic areas, total</b>	<b>38,769,463</b>	<b>23,568,015</b>	<b>253,718</b>	<b>776,681</b>	<b>1,651,098</b>	<b>20,851,820</b>	<b>12,900,848</b>	<b>39,598</b>	<b>4,825,432</b>	<b>1,376,769</b>
<b>Canada</b>	<b>2,304,790</b>	<b>1,296,749</b>	<b>21,133</b>	<b>64,818</b>	<b>83,780</b>	<b>1,812,310</b>	<b>1,808,812</b>	<b>2,633</b>	<b>171,438</b>	<b>88,138</b>
<b>Latin America, total</b>	<b>6,756,199</b>	<b>4,962,893</b>	<b>84,772</b>	<b>53,803</b>	<b>165,130</b>	<b>3,816,246</b>	<b>2,705,238</b>	<b>6,255</b>	<b>960,069</b>	<b>249,727</b>
<b>Mexico</b>	<b>6,756,199</b>	<b>4,962,893</b>	<b>84,772</b>	<b>53,803</b>	<b>165,130</b>	<b>3,816,246</b>	<b>2,705,238</b>	<b>6,255</b>	<b>960,069</b>	<b>249,727</b>
<b>Central America, total</b>	<b>1,303,367</b>	<b>620,146</b>	<b>22,006</b>	<b>29,568</b>	<b>47,433</b>	<b>401,141</b>	<b>763,219</b>	<b>1,262</b>	<b>311,393</b>	<b>65,441</b>
<b>Honduras</b>	<b>1,303,367</b>	<b>620,146</b>	<b>22,006</b>	<b>29,568</b>	<b>47,433</b>	<b>401,141</b>	<b>763,219</b>	<b>1,262</b>	<b>311,393</b>	<b>65,441</b>
<b>Caribbean countries, total</b>	<b>848,904</b>	<b>848,904</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Caribbean countries (Bonaire)</b>	<b>848,904</b>	<b>848,904</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Dominican Republic</b>	<b>848,904</b>	<b>848,904</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Trinidad and Tobago</b>	<b>848,904</b>	<b>848,904</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>South America, total</b>	<b>1,359,416</b>	<b>1,015,201</b>	<b>1,123,992</b>	<b>2,031,468</b>	<b>1,910</b>	<b>1,910</b>	<b>3,201,468</b>	<b>3</b>	<b>31,560</b>	<b>9,285</b>
<b>Caribbean countries (Bonaire)</b>	<b>1,359,416</b>	<b>1,015,201</b>	<b>1,123,992</b>	<b>2,031,468</b>	<b>1,910</b>	<b>1,910</b>	<b>3,201,468</b>	<b>3</b>	<b>31,560</b>	<b>9,285</b>
<b>Argentina</b>	<b>253,372</b>	<b>83,890</b>	<b>101</b>	<b>1,071</b>	<b>41</b>	<b>82,677</b>	<b>169,433</b>	<b>13</b>	<b>2,116</b>	<b>3,290</b>
<b>Brazil</b>	<b>29,806</b>	<b>9,866</b>	<b>56</b>	<b>113</b>	<b>225</b>	<b>9,407</b>	<b>15,740</b>	<b>13</b>	<b>2,116</b>	<b>3,290</b>
<b>Chile</b>	<b>1,023,624</b>	<b>1,003,858</b>	<b>500</b>	<b>153</b>	<b>813</b>	<b>1,002,483</b>	<b>19,669</b>	<b>37</b>	<b>3,264</b>	<b>13,615</b>
<b>Colombia</b>	<b>2,827,008</b>	<b>1,446,279</b>	<b>11,626</b>	<b>22,411</b>	<b>60,634</b>	<b>1,353,508</b>	<b>1,378,728</b>	<b>4,405</b>	<b>673,984</b>	<b>144,024</b>
<b>Ecuador</b>	<b>380,863</b>	<b>186,866</b>	<b>859</b>	<b>3,333</b>	<b>8,242</b>	<b>712,433</b>	<b>204,995</b>	<b>736</b>	<b>89,892</b>	<b>9,266</b>
<b>Peru</b>	<b>999,590</b>	<b>596,512</b>	<b>1,966</b>	<b>6,527</b>	<b>25,918</b>	<b>322,201</b>	<b>643,248</b>	<b>2,660</b>	<b>273,267</b>	<b>55,368</b>
<b>Venezuela</b>	<b>156,820</b>	<b>62,553</b>	<b>31</b>	<b>1,365</b>	<b>2,211</b>	<b>59,995</b>	<b>93,270</b>	<b>202</b>	<b>45,300</b>	<b>12,685</b>
<b>Other Western Hemisphere, total</b>	<b>1,828,122</b>	<b>981,374</b>	<b>82</b>	<b>5,591</b>	<b>20,022</b>	<b>835,679</b>	<b>1,046,744</b>	<b>1,062</b>	<b>292,282</b>	<b>17,802</b>
<b>The Bahamas</b>	<b>1,030,720</b>	<b>271,882</b>	<b>1</b>	<b>2,398</b>	<b>2,566</b>	<b>267,077</b>	<b>758,726</b>	<b>14</b>	<b>482,256</b>	<b>637</b>
<b>Netherlands Antilles</b>	<b>502,446</b>	<b>259,801</b>	<b>—</b>	<b>2,665</b>	<b>8,443</b>	<b>241,694</b>	<b>288,044</b>	<b>619</b>	<b>123,525</b>	<b>14,611</b>
<b>Europe, total</b>	<b>9,784,569</b>	<b>6,311,316</b>	<b>141,832</b>	<b>606,734</b>	<b>856,186</b>	<b>5,203,564</b>	<b>3,473,252</b>	<b>13,044</b>	<b>1,629,872</b>	<b>437,419</b>
<b>Common Market countries, total</b>	<b>7,245,944</b>	<b>4,322,225</b>	<b>73,045</b>	<b>203,511</b>	<b>328,880</b>	<b>3,916,790</b>	<b>2,723,610</b>	<b>9,863</b>	<b>1,221,004</b>	<b>393,244</b>
<b>Belgium</b>	<b>512,323</b>	<b>332,743</b>	<b>357</b>	<b>4,114</b>	<b>18,769</b>	<b>308,590</b>	<b>180,579</b>	<b>799</b>	<b>89,430</b>	<b>17,567</b>
<b>France (including Andorra)</b>	<b>726,448</b>	<b>366,593</b>	<b>2,690</b>	<b>8,586</b>	<b>13,842</b>	<b>343,776</b>	<b>357,884</b>	<b>2,612</b>	<b>160,654</b>	<b>39,269</b>
<b>Germany</b>	<b>348,192</b>	<b>287,495</b>	<b>1</b>	<b>456</b>	<b>1,152</b>	<b>294,717</b>	<b>62,687</b>	<b>17</b>	<b>17,218</b>	<b>11,275</b>
<b>Greece</b>	<b>80,086</b>	<b>28,945</b>	<b>—</b>	<b>82</b>	<b>1,755</b>	<b>52,602</b>	<b>25,647</b>	<b>89</b>	<b>5,534</b>	<b>2,766</b>
<b>Ireland</b>	<b>592,019</b>	<b>351,038</b>	<b>232</b>	<b>10,499</b>	<b>10,283</b>	<b>330,024</b>	<b>240,881</b>	<b>898</b>	<b>118,592</b>	<b>16,859</b>
<b>Italy (including San Marino)</b>	<b>38,332</b>	<b>23,817</b>	<b>24</b>	<b>461</b>	<b>152</b>	<b>3,659</b>	<b>31,812</b>	<b>3</b>	<b>7,905</b>	<b>1,003</b>
<b>Luxembourg</b>	<b>89,951</b>	<b>303,687</b>	<b>68</b>	<b>11,586</b>	<b>8,751</b>	<b>309,082</b>	<b>169,884</b>	<b>1,630</b>	<b>45,126</b>	<b>12,946</b>
<b>Netherlands</b>	<b>3,475,166</b>	<b>2,224,841</b>	<b>68,733</b>	<b>145,453</b>	<b>249,853</b>	<b>1,781,408</b>	<b>1,205,535</b>	<b>2,268</b>	<b>607,725</b>	<b>230,077</b>
<b>United Kingdom</b>	<b>761,056</b>	<b>441,869</b>	<b>248</b>	<b>18,206</b>	<b>21,438</b>	<b>381,782</b>	<b>330,390</b>	<b>1,505</b>	<b>126,204</b>	<b>38,301</b>
<b>Other West European countries, total</b>	<b>1,918,215</b>	<b>1,116,868</b>	<b>68,768</b>	<b>303,635</b>	<b>26,881</b>	<b>919,546</b>	<b>596,347</b>	<b>2,448</b>	<b>238,928</b>	<b>41,241</b>
<b>Austria</b>	<b>70,191</b>	<b>25,964</b>	<b>—</b>	<b>553</b>	<b>302</b>	<b>25,069</b>	<b>44,228</b>	<b>270</b>	<b>25,369</b>	<b>1,451</b>
<b>Denmark</b>	<b>49,879</b>	<b>23,311</b>	<b>1,202</b>	<b>1,646</b>	<b>503</b>	<b>9,859</b>	<b>20</b>	<b>10,644</b>	<b>45</b>	<b>45</b>
<b>Finland</b>	<b>783,063</b>	<b>723,474</b>	<b>56,033</b>	<b>284,992</b>	<b>8,465</b>	<b>371,983</b>	<b>65,157</b>	<b>71</b>	<b>42,818</b>	<b>6,039</b>
<b>Norway</b>	<b>306,180</b>	<b>173,256</b>	<b>810</b>	<b>5,869</b>	<b>2,721</b>	<b>183,847</b>	<b>123,304</b>	<b>660</b>	<b>54,918</b>	<b>6,430</b>
<b>Spain</b>	<b>198,581</b>	<b>105,688</b>	<b>8,718</b>	<b>5,274</b>	<b>9,098</b>	<b>12,882</b>	<b>54</b>	<b>58,717</b>	<b>2,011</b>	<b>2,011</b>
<b>Sweden</b>	<b>197,656</b>	<b>105,301</b>	<b>3</b>	<b>4,063</b>	<b>7,120</b>	<b>165,930</b>	<b>196,233</b>	<b>1,212</b>	<b>26,884</b>	<b>16,555</b>
<b>Switzerland</b>	<b>75,015</b>	<b>60,403</b>	<b>7</b>	<b>315</b>	<b>4,742</b>	<b>55,339</b>	<b>14,612</b>	<b>133</b>	<b>41,24</b>	<b>781</b>
<b>Other European countries, total</b>	<b>107,972</b>	<b>48,042</b>	<b>—</b>	<b>2,570</b>	<b>425</b>	<b>45,047</b>	<b>99,930</b>	<b>725</b>	<b>24,407</b>	<b>2,893</b>
<b>Africa, total</b>	<b>1,699,708</b>	<b>1,892,840</b>	<b>6,799</b>	<b>2,786,252</b>	<b>628,833</b>	<b>1,221,148</b>	<b>38,064</b>	<b>920</b>	<b>127,148</b>	<b>33,064</b>
<b>North Africa, total</b>	<b>1,699,708</b>	<b>1,892,840</b>	<b>6,799</b>	<b>2,786,252</b>	<b>628,833</b>	<b>1,221,148</b>	<b>38,064</b>	<b>920</b>	<b>127,148</b>	<b>33,064</b>
<b>Egypt</b>	<b>1,570,212</b>	<b>966,161</b>	<b>6,101</b>	<b>2,726,262</b>	<b>1,742</b>	<b>1,742</b>	<b>117,944</b>	<b>106</b>	<b>10,224</b>	<b>29,823</b>
<b>Libya</b>	<b>129,496</b>	<b>926,679</b>	<b>8</b>	<b>620</b>	<b>11,855</b>	<b>451,914</b>	<b>52,988</b>	<b>81</b>	<b>19,807</b>	<b>26,372</b>
<b>Other Africa, total</b>	<b>15,215</b>	<b>15,214</b>	<b>1</b>	<b>2,355</b>	<b>24,500</b>	<b>170,851</b>	<b>2,355</b>	<b>22</b>	<b>17</b>	<b>17</b>
<b>East Africa, total</b>	<b>15,215</b>	<b>15,214</b>	<b>1</b>	<b>2,355</b>	<b>24,500</b>	<b>170,851</b>	<b>2,355</b>	<b>22</b>	<b>17</b>	<b>17</b>
<b>West and Central African countries, total</b>	<b>712,142</b>	<b>668,094</b>	<b>663</b>	<b>668,094</b>	<b>280,826</b>	<b>668,094</b>	<b>280,826</b>	<b>663</b>	<b>668,094</b>	<b>280,826</b>
<b>Gabon</b>	<b>33,236</b>	<b>52,696</b>	<b>543</b>	<b>44,472</b>	<b>1,149</b>	<b>50,921</b>	<b>23,948</b>	<b>294</b>	<b>15,425</b>	<b>4,924</b>
<b>Nigeria</b>	<b>64,895</b>	<b>36,651</b>	<b>121</b>	<b>304,006</b>	<b>34,051</b>	<b>34,051</b>	<b>34,051</b>	<b>121</b>	<b>304,006</b>	<b>34,051</b>
<b>Other West and Central African countries, total</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>	<b>614,011</b>
<b>South Africa (including Namibia)</b>	<b>85</b>	<b>85</b>	<b>—</b>	<b>510,500</b>	<b>48,757</b>	<b>48,757</b>	<b>48,757</b>	<b>85</b>	<b>510,500</b>	<b>48,757</b>
<b>Zimbabwe</b>	<b>30</b>	<b>46</b>	<b>—</b>	<b>47,917</b>	<b>41,429</b>	<b>41,429</b>	<b>41,429</b>	<b>30</b>	<b>47,917</b>	<b>41,429</b>
<b>Asia, total</b>	<b>1,788,010</b>	<b>1,716,158</b>	<b>47,851</b>	<b>8,979,699</b>	<b>3,999,835</b>	<b>817,211</b>	<b>5,853,007</b>	<b>321,885</b>	<b>5,853,007</b>	<b>321,885</b>
<b>East Asia, total</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>
<b>Japan</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>	<b>1,422,870</b>
<b>Other East Asia, total</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>South and Southeastern Asia, total</b>	<b>365,140</b>	<b>293,288</b>	<b>35,981</b>	<b>4,557,829</b>	<b>2,576,965</b>	<b>374,341</b>	<b>4,130,137</b>	<b>79,105</b>	<b>4,130,137</b>	<b>79,105</b>
<b>India</b>	<b>365,140</b>	<b>293,288</b>	<b>35,981</b>	<b>4,557,829</b>	<b>2,576,965</b>	<b>374,341</b>	<b>4,130,137</b>	<b>79,105</b>	<b>4,130,137</b>	<b>79,105</b>
<b>Other South and Southeastern Asia, total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Indonesia</b>	<b>1,949,543</b>	<b>1,178,914</b>	<b>18,478</b>	<b>18,119</b>	<b>93,734</b>	<b>1,048,586</b>	<b>770,620</b>	<b>658</b>	<b>273,704</b>	<b>163,214</b>
<b>Malaysia</b>	<b>469,225</b>	<b>454,831</b>	<b>1,265</b>	<b>914</b>	<b>1,265</b>	<b>454,831</b>	<b>454,831</b>	<b>1,265</b>	<b>454,831</b>	<b>454,831</b>
<b>Philippines</b>	<b>899,294</b>	<b>755,227</b>	<b>10,101</b>	<b>2,461</b>	<b>8,934</b>	<b>7,967</b>	<b>112,482</b>	<b>6</b>	<b>15,466</b>	<b>26,201</b>
<b>Singapore</b>	<b>32,041</b>	<b>53,986</b>	<b>66</b>	<b>190</b>	<b>1,615</b>	<b>52,114</b>	<b>38,056</b>	<b>20</b>	<b>40,017</b>	<b>28,832</b>
<b>Thailand</b>	<b>303,050</b>	<b>129,939</b>	<b>7,851</b>	<b>10,385</b>	<b>5,107</b>	<b>106,596</b>	<b>173,112</b>	<b>534</b>	<b>116,666</b>	<b>53,898</b>
<b>Other South and Southeastern Asia, total</b>	<b>358,851</b>	<b>190,708</b>	<b>—</b>	<b>2,332</b>	<b>22,5</b>					

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued  
(Money amounts are in thousands of dollars)

Country and DISC dividends	Income and taxes from specific geographic area or country—Continued									
	Foreign taxes paid or accrued and deemed paid before reduction									
	Paid or accrued					Deemed paid				
Total	Tax withheld at source on				Other taxes paid or accrued on					Total
	Dividends	Interest	Rents, royalties and license fees	Branch income	Service income	Partnership income	Other income	(54)	(55)	
(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	
<b>All geographic areas, total</b>	<b>22,546,993</b>	<b>10,852,937</b>	<b>1,351,731</b>	<b>1,058,292</b>	<b>8,019,387</b>	<b>168,215</b>	<b>120,191</b>	<b>2,227,273</b>	<b>11,897,194</b>	
<b>Canada</b>	<b>3,195,892</b>	<b>1,278,954</b>	<b>254,822</b>	<b>59,835</b>	<b>84,191</b>	<b>461,971</b>	<b>6,812</b>	<b>41,837</b>	<b>1,814,828</b>	
<b>Latin America, total</b>	<b>2,816,884</b>	<b>1,489,843</b>	<b>358,036</b>	<b>534,683</b>	<b>67,384</b>	<b>331,197</b>	<b>42,798</b>	<b>7,019</b>	<b>826,811</b>	
Mexico	494,340	437,977	99,259	186,837	34,135	76,557	12,476	7,019	153,001	
Central America, total	193,424	40,423	6,256	2,794	4,501	12,476	6,556	1,452	2,324	
Honduras	10,403	80,445	445	197	197	388	5,146	—	141,448	
Panama (including Canal Zone)	152,610	11,162	3,034	1,993	2,326	1,966	718	(7)	1,458	
Caribbean countries, total	261,629	242,746	557	3,162	—	1,476	29,878	472	207,356	
Cayman Islands (British)	13,854	58	—	—	—	—	—	—	13,806	
Dominican Republic	22,628	68	164	76	561	18,814	268	(7)	2,104	
Jamaica	210,288	208,185	201	2,931	—	—	—	—	197,555	
Trinidad and Tobago	1,564,636	973,071	249,964	356,276	27,271	205,445	23,280	3,270	101,565	
South America, total	88,490	84,290	20,863	9,760	9,453	9,473	314	6,624	41,180	
Argentina	1,098,807	613,217	183,438	303,747	4,231	10,148	9,136	2,674	8,903	
Brazil	38,633	20,091	875	175	5,679	11,311	1,431	(7)	621	
Chile	104,148	40,521	2,481	(7)	1,796	2,219	1,549	—	18,739	
Colombia	61,846	40,521	2,481	(7)	1,796	2,219	1,549	—	34,657	
Ecuador	73,185	64,953	2,884	1,294	2,373	34,587	356	45	23,443	
Peru	88,498	49,184	21,921	15,129	3,395	2,416	4,866	(7)	1,461	
Venezuela	234,656	40,281	1,304	2,513	8	35,163	113	3	1,158	
Other Western Hemisphere, total	62,217	33,355	1,246	2,466	1	33,144	77	—	200	
The Bahamas	167,995	6,314	—	—	—	1,764	—	—	759	
Netherlands Antilles	9,864,960	3,458,314	527,772	181,094	691,384	1,820,133	11,782	974	223,199	
<b>Europe, total</b>	<b>7,529,914</b>	<b>1,542,385</b>	<b>427,148</b>	<b>91,933</b>	<b>56,421</b>	<b>758,582</b>	<b>8,235</b>	<b>973</b>	<b>189,063</b>	
Common Market countries, total	2,529,914	623,986	30,173	23,527	371	6,499	106	13	1,697	
Belgium	434,704	73,132	14,890	24,610	8,956	953	724	3,220	361,572	
France (including Andorra)	23,201	20,863	3,869	101	74	16,374	335	41	76	
Germany	14,701	7,160	(7)	6	25,693	20,583	733	37	1,191	
Greece	287,821	79,273	18,688	3,340	2	814	26	—	208,640	
Italy (including San Marino)	34,052	13,028	2,366	—	—	—	—	—	46,849	
Luxembourg	147,822	43,413	2,162	1,451	51,438	381	(7)	145,148	641,888	
Netherlands	4,804,319	985,234	173,634	32,296	628,609	5,613	63	158	3,619,085	
United Kingdom	1,067,489	150,470	133,458	15,335	1,814	7,859	53	—	908,016	
West Germany	2,419,340	1,809,146	100,295	87,720	634,178	1,060,015	3,377	2	510,194	
Other West European countries, total	42,782	5,327	2,795	33	184	2,297	—	—	37,465	
Austria	1,754,759	1,718,975	3,799	2	32	—	—	—	15,204	
Finland	29,250	1,832	39,779	71,786	614,698	974,494	2,056	-1	1,510	
Norway	17,357	74,017	24,053	4,812	13,950	27,636	372	—	880	
Spain	43,296	25,169	1,066	—	110	2,067	—	—	258	
Sweden	291,848	42,701	26,889	8,840	264	6,276	178	(7)	248,947	
Switzerland	99,946	50,229	680	198	1,990	40,193	820	(7)	6,525	
Turkey	4,532	4,532	329	1,274	788	1,442	139	(7)	560	
East European countries, total	1,438,198	1,120,828	35,283	1,169	12,637	394,812	11,441	171	665,847	
Africa, total	839,982	827,867	613	90	1,458	168,416	7,597	(7)	629,712	
North Africa, total	475,441	468,076	27	42	1,120	12,550	1,406	(7)	452,931	
Egypt	340,845	340,245	—	—	—	100,608	3,188	—	176,572	
Libya	25,583	8,905	3,474	25	444	4,678	198	—	87	
East Africa, total	285,504	212,233	3,811	765	4	1,042	126	—	18,678	
West and Central African countries, total	15,167	14,287	1,822	721	433	82,782	834	—	73,272	
Gabon	164,453	90,371	—	—	17	18,692	—	—	12,900	
Nigeria	19,818	18,400	—	—	—	—	—	—	146	
Zaire	288,091	71,501	27,596	205	9,306	33,871	162	146	216,590	
Southern Africa, total	289,027	97,690	36,721	272	9,178	31,557	162	146	155	
South Africa (includes Namibia)	9,857	2,912	—	12	2,209	—	—	—	201,337	
Zimbabwe	3,830,437	2,428,831	109,447	45,791	184,434	1,367,296	88,975	68,890	598,581	
<b>Asia, total</b>	<b>689,424</b>	<b>674,416</b>	<b>3,727</b>	<b>4,092</b>	<b>3,655</b>	<b>301,906</b>	<b>56,241</b>	<b>65,062</b>	<b>239,733</b>	
Middle East, total	3,253	2,058	1,817	—	218	32	—	—	1,008	
Iran	31,411	10,392	—	—	—	—	—	—	5,843	
Israel	4,577	410	—	—	—	—	—	—	500	
Kuwait	325,236	325,982	717	196	1,220	70,337	34,903	65,053	150,556	
Oman	303,472	303,586	11	—	—	197,080	20,102	—	66,192	
Saudi Arabia	1,999,907	1,382,427	20,974	26,765	32,448	554,895	18,501	1,148	327,896	
United Arab Emirates	62,186	44,922	3,727	4,092	3,655	301,906	56,241	65,062	239,733	
Southern and Southeastern Asia, total	1,483,680	1,075,794	5,052	18,960	1,031	672,726	2,208	850	313,628	
India	235,845	192,641	129	22	2,122	672,726	2,208	42	2,806	
Indonesia	47,823	43,126	3,275	5,571	1,009	20,426	1,904	41	6,902	
Malaysia	96,436	42,419	283	1,634	13,846	23,011	1,264	40	2,392	
Philippines	46,263	23,735	8,369	400	4,411	7,827	1,936	34	758	
Singapore	124,061	371,743	84,345	43,463	33,813	534,104	1,295	970	16,877	
Thailand	5,456	48,852	—	8	—	—	—	—	600	
Eastern Asia, total	1,074,949	774,841	67,412	9,474	105,754	62,354	4,261	486	25,079	
China	52,211	36,773	9,848	2,546	5,180	15,886	2,067	9	6,902	
Hong Kong	1,042,258	654,138	43,463	23,404	33,813	534,104	1,295	970	16,877	
Japan (includes Ryukyu)	1,010,667	639,144	39,555	23,061	26,658	533,939	1,080	238	14,333	
South Korea, Republic of	31,107	14,834	2,822	342	6,670	3,994	125	30	641	
Taiwan	111,488	84,312	8,850	5,967	4,193	46,302	3,183	144	18,574	
<b>Oceania, total</b>	<b>105,009</b>	<b>78,794</b>	<b>1,528</b>	<b>49</b>	<b>3,857</b>	<b>42,599</b>	<b>2,584</b>	<b>92</b>	<b>15,930</b>	
Puerto Rico	105,009	78,794	1,528	49	3,857	42,599	2,584	92	15,930	
U.S. possessions, total	105,999	161,643	8,370	43,413	6,042	23,509	4,049	2,845	10,418	
Country not stated	7,600	113	—	—	—	—	—	—	7,387	
<b>DISC dividends</b>	<b>1,043,258</b>	<b>654,138</b>	<b>43,463</b>	<b>23,404</b>	<b>33,813</b>	<b>534,104</b>	<b>1,295</b>	<b>970</b>	<b>16,877</b>	
<b>OPEC countries, total (included above)</b>	<b>2,783,829</b>	<b>2,201,848</b>	<b>34,002</b>	<b>38,028</b>	<b>9,371</b>	<b>1,168,064</b>	<b>70,963</b>	<b>84,007</b>	<b>787,415</b>	

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued  
(Money amounts are in thousands of dollars)

Country and DISC dividends	Income and taxes from specific geographic area or country—Continued					
	Income and taxes of related foreign corporations and DISC's					
	Gains, profits and income	Taxes paid on gains, profits and income	Dividends paid or considered contributed by related foreign corporations	Taxes deemed paid by related foreign corporations	Dividends paid to related foreign corporations and DISC's by related foreign corporations	Dividends paid to second-tier foreign corporations by related foreign corporations
Total	Paid or accrued					Total
	Dividends	Interest	Rents, royalties and license fees	Branch income	Service income	
(56)	(57)	(58)	(59)	(60)	(61)	
<b>All geographic areas, total</b>	<b>64,383,784</b>	<b>28,434,723</b>	<b>15,444,801</b>	<b>4,592,681</b>	<b>6,632,881</b>	<b>254,969</b>
<b>Canada</b>	<b>12,820,820</b>	<b>5,244,877</b>	<b>1,344,844</b>	<b>721,370</b>	<b>8,234,938</b>	<b>88,111</b>
<b>Latin America, total</b>	<b>6,852,180</b>	<b>2,003,199</b>	<b>3,717,883</b>	<b>114,779</b>	<b>193,974</b>	<b>12,840</b>
Mexico	1,080,657	335,483	145,404	7,501	21,561	3,924
Central America, total	1,294,821	140,272	506,790	43,854	73,680	47
Honduras	10,403	80,445	445	197	388	5,146
Panama (including Canal Zone)	1,278,670	123,408	572,587	43,652	74,738	—
Caribbean countries, total	201,795	31,657	105,686	4,503	7,217	—
Cayman Islands (British)	15,245	20,257	80,564	4,503	7,217	—
Dominican Republic	13,072	5,540	—	—	—	—
Trinidad and Tobago	4,284,877	1,495,788	870,013	58,917	89,516	8,299
South America, total	143,570	21,541	143,570	20,816	—	—
Argentina	3,131,273	1,148,056	66,820	2,184	—	—
Brazil	132,146	43,131	30,233	251	5,827	636
Chile	98,615	38,576	130,155	1,741	7,774	732
Colombia	23,708	4,379	5,419	26	505	—
Ecuador	167,322	56,245	14,229	21	36	

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED AND WITH \$250 MILLION OR MORE IN TOTAL ASSETS

Table 4.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid and DISC Dividends—Continued  
(Money amounts are in thousands of dollars)

Country and DISC dividends	Income and taxes from specific geographic area or country—Continued				
	Income and taxes of related foreign corporations and DISC—Continued				
	Income and taxes of first, second, and third-tier foreign corporations from which constructive distributions were received				
	Gen. profits and income	Taxes paid on gen. profits and income	Dividends constructively distributed to domestic corporations	Taxes deemed paid by related foreign corporations	Taxes deemed paid by domestic corporations
	(A)	(B)	(C)	(D)	(E)
All geographic areas, total	8,953,369	1,783,141	2,937,158	382,826	1,244,787
Canada	410,728	147,688	161,789	41,388	120,863
Latin America, total	1,181,453	181,208	466,715	43,414	127,452
Mexico	105,156	33,637	19,928	—	13,032
Central America, total	662,454	41,130	319,743	36,607	72,452
Honduras	660,051	40,925	317,918	36,585	72,265
Panama (including Canal Zone)	152,876	13,802	87,833	4,503	8,248
Caribbean countries, total	129,785	13,095	68,427	4,503	7,737
Cayman Islands (British)	—	—	—	—	—
Dominican Republic	139	61	(7)	—	17
Trinidad and Tobago	290,967	92,831	39,180	2,303	23,692
South America, total	14,392	2,491	1,695	—	534
Argentina	229,634	82,900	36,342	2,190	32,213
Brazil	140	—	—	—	28
Chile	983	—	—	—	96
Colombia	6,472	2,553	400	—	—
Ecuador	—	—	—	—	—
Peru	8,902	4,159	582	173	196
Venezuela	—	—	—	—	—
Other Western Hemisphere, total	1,805,714	182,472	1,121,823	12,884	178,804
The Bahamas	130,163	24,140	68,013	12,846	22,239
Netherlands Antilles	1,334,277	167,706	1,030,407	—	153,062
Europe, total	2,936,909	643,302	884,237	291,907	672,785
Common Market countries, total	2,016,341	786,345	432,329	72,383	428,533
Belgium	227,727	80,034	50,253	302	43,353
France (including Andorra)	274,865	152,790	39,753	34,507	53,990
Germany	517	474	(7)	—	168
Greece	21,344	583	2,859	745	963
Ireland	57,112	20,361	843	224	3,424
Italy (including San Marino)	8,893	3,369	4,269	745	1,077.9
Luxembourg	319,066	112,166	181,207	27,255	131,271
Netherlands	790,197	233,014	118,435	7,166	65,781
United Kingdom	313,324	178,863	54,233	2,213	—
West Germany	812,494	178,863	129,848	129,825	248,227
Other West European countries, total	18,143	2,562	13,661	9,140	10,537
Austria	77,798	31,405	34,714	—	26,303
Finland	35,023	15,073	5,064	236	3,524
Norway	874	654	327	—	13
Spain	748,060	124,844	455,277	119,825	204,179
Sweden	—	—	—	—	—
Switzerland	—	—	—	—	—
Turkey	—	—	—	—	—
East European countries, total	19,194	7,714	2,773	493	1,840
Africa, total	—	—	—	—	—
North Africa, total	—	—	—	—	—
Egypt	—	—	—	—	—
Libya	—	—	—	—	—
East Africa, total	15,298	6,224	2,754	—	1,829
Gabon	—	—	—	—	—
Nigeria	14,814	6,092	2,563	—	1,790
Zaire	3,897	1,489	19	483	111
Zimbabwe	3,897	1,489	—	—	—
South Africa (includes Namibia)	—	—	—	—	—
Asia, total	567,859	189,339	153,425	8,414	68,292
Middle East, total	10,263	650	8,302	—	421
Iran	—	—	—	—	—
Israel	—	—	—	—	—
Kuwait	—	—	—	—	—
Oman	—	—	—	—	—
Saudi Arabia	—	—	—	—	—
United Arab Emirates	111,562	31,682	22,383	1,077	5,928
Southern and Southeastern Asia, total	9,002	8,005	4	747	2
India	4	2	2	—	204
Indonesia	5,112	2,216	211	—	310
Malaysia	6,508	3,101	426	330	5,018
Philippines	84,895	14,907	21,803	—	140
Singapore	3,512	1,664	75	—	61,944
Thailand	445,843	156,998	121,740	4,307	—
Eastern Asia, total	123,179	15,913	52,970	312	6,992
China	322,384	141,014	98,605	4,005	54,911
Hong Kong	—	—	—	—	—
Japan (Chinese, Taiwan)	281	71	165	—	61
South Korea, Republic of	—	—	—	—	—
Taiwan	—	—	—	—	—
Oceania, total	304,887	92,842	84,177	77,130	75,037
Australia	90,746	302,286	63,874	77,130	74,640
New Zealand	2,393	1,555	303	—	396
Puerto Rico and U.S. Possessions, total	32,956	7,714	1,812	306	1,223
Puerto Rico	32,956	7,714	1,812	206	1,323
U.S. Possessions, total	—	—	—	—	—
Country not stated	787	348	437	—	349
DISC dividends	—	—	—	113	1,988
OPEC countries, total (included above)	23,720	10,284	3,148	—	—

<sup>1</sup> Less than \$500.  
Note: The number of parent corporations which received income from or paid taxes to a specific country are identified in column 1. The data in columns 2-13 are not limited to amounts attributable to a specific country. (A) and (B) are amounts for the corporation's total income and taxes paid to the United States, respectively. (C) and (D) are amounts for the corporation's total income and taxes paid to foreign countries, respectively. (E) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (F) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (G) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (H) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (I) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (J) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (K) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (L) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (M) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (N) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (O) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (P) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (Q) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (R) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (S) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (T) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (U) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (V) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (W) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (X) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (Y) is the amount for the corporation's total income and taxes paid to foreign countries, respectively. (Z) is the amount for the corporation's total income and taxes paid to foreign countries, respectively.

Corporate Foreign Tax Credit, 1986: An Industry Focus

By Lissa Redmiles\*

For 1986, U.S. corporations paid approximately \$23.1 billion in taxes to foreign governments on over \$65.8 billion of foreign-source taxable (net) income. Although only 4,506 corporations, 0.1 percent of the total number of corporations that filed U.S. income tax returns, claimed a foreign tax credit, the amount they claimed for 1986 reduced the total U.S. corporation income tax liability by \$22.3 billion, or by 23.2 percent [1]. The petroleum industry, with a total foreign tax credit exceeding \$7 billion, accounted for 31.8 percent of the total credit.

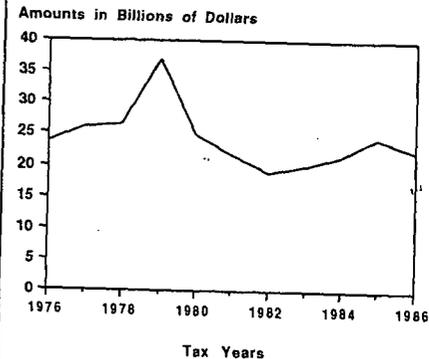
Even though the total credit was 8.2 percent lower than the total foreign tax credit claimed for 1985, it was larger than the total foreign tax credit of any other year since 1980 (Figure A). A major factor behind the small increase in the foreign tax credit claimed between 1984 and 1986 was the relatively slow growth in foreign-source taxable income. Although corporate profits, as measured by total worldwide taxable income, increased 7 percent between 1984 and 1986, almost 90 percent of this increase resulted from the \$16.1 billion growth of domestic-source taxable income [2, 3].

BACKGROUND

Congress established the foreign tax credit in 1918 to encourage foreign trade and investment by eliminating double taxation on foreign-source income [4]. Previously, they could only use these taxes as deductions to lower their U.S. taxable income. The law originally allowed U.S. corporations to reduce their U.S. tax liability by all of the income taxes they paid to other nations. The Revenue Act of 1921 restricted the amount that could be claimed as a credit against the U.S. tax liability to an amount equivalent to the U.S. tax on foreign-source taxable income. This was determined by taking the percentage of foreign-source taxable income to worldwide taxable income and applying it to the overall U.S. tax liability, before credits.

This limitation attempted to prohibit corporations from using their foreign taxes, which often reflected higher tax rates than those imposed by the United States, to offset

Figure A  
Corporate Foreign Tax Credit, 1978-1986



their domestic tax liability. Nevertheless, corporations were still able to maximize their foreign tax credit by combining income from overseas investments, such as most interest-bearing investments, which, if taxed at all, were taxed at a low rate, with foreign-source income taxed at rates higher than the domestic rate, to increase the ratio used to compute the credit limit. To reduce such averaging across countries, from 1932 through 1961 taxpayers had to calculate their limitation on a per country basis. From 1961 to the repeal of the per country limitation in 1976, they could elect to use the overall limitation. However, the Revenue Act of 1962 required corporations to compute their foreign tax credit limitation separately for certain investment interest income. Although there have been other modifications to the foreign tax credit provisions, the guiding principle remains that of eliminating double taxation without reducing the total U.S. tax liability below the U.S. tax rate.

\*Foreign Returns Analysis Section. Prepared under the direction of Chris Carson, Chief.

For 1986, U.S. corporations had to calculate separate foreign tax credit limitations for (1) certain investment income, (2) dividends received from an Interest Charge Domestic International Sales Corporation (IC-DISC) or former DISC (see Definitions section), (3) foreign trade income of a Foreign Sales Corporation (FSC) (see Definitions section), (4) distributions from a FSC or former FSC, and (5) all other income from sources outside the United States. The sum of the foreign tax credits for each income type comprised the total foreign tax credit that could be claimed. If the actual taxes paid, accrued, or deemed paid exceeded the limitation, the excess could be carried back 2 years and then carried forward for 5 years. Participation in, or cooperation with, an international boycott reduced the total foreign tax credit claimed for 1986 by \$727,000.

### WORLDWIDE TAXABLE INCOME

The domestic economic recovery that started in 1983 continued through 1986, albeit at a slower pace. Worldwide taxable income for all U.S. industries increased 7 percent between 1984 and 1986, compared to 26.5 percent between 1982 and 1984. At \$277.8 billion for 1986, worldwide taxable income was higher (in current dollars) than it had ever been during the 1980's but not quite as high as 1979 when it peaked at \$280.2 billion.

Increases in domestic profits (as measured by domestic-source taxable income), particularly in the banking and insurance industries, fueled most of the growth between 1984 and 1986. (For a comparison between foreign-source and domestic-source taxable income for 1984 and 1986, see Figure B.)

Figure B.—Domestic and Foreign Source Taxable Income, by Selected Industries, 1984 and 1986

(Money amounts are in millions of dollars)

Industry	Domestic-source taxable income			Foreign-source taxable income		
	1984	1986	Percentage increase	1984	1986	Percentage increase
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	\$195,883	\$211,989	8.2%	\$63,588	\$65,809	3.5%
Agriculture, forestry and fishing	1,564	1,794	14.7	50	89	79.8
Mining	2,349	1,767	-24.8	2,818	1,475	-47.7
Construction	5,334	7,375	38.3	295	204	-31.1
Manufacturing	88,328	69,454	-21.4	45,583	48,809	7.1
Food and kindred products	7,718	6,221	-6.5	1,784	2,030	13.8
Chemicals and allied products	10,098	12,695	27.7	6,294	7,744	23.0
Petroleum (including integrated and coal products)	9,147	2,508	-72.6	19,131	16,000	-16.4
Machinery (except electrical)	6,464	985	-84.8	6,867	9,597	39.9
Electrical and electronic equipment	8,969	5,730	-36.1	2,503	5,459	118.1
Motor vehicles	7,454	3,015	-59.6	2,503	2,169	-13.3
Transportation and public utilities	33,004	34,962	5.9	1,306	1,702	30.2
Wholesale trade	17,071	18,796	10.2	780	900	15.4
Retail trade	21,546	23,299	19.3	81	957	77.0
Finance, insurance and real estate	13,704	40,060	192.3	11,504	10,620	-7.7
Banking	-493	5,206	na	9,831	8,107	-17.5
Insurance	4,070	14,115	246.8	913	1,611	76.4
Services	12,804	14,284	11.6	711	1,043	46.7

Domestic-source taxable income for the banking industry recovered from a net loss of \$493 million for 1984 (caused primarily by declines in the agriculture, petroleum and commercial real estate industries and losses on loans to third world countries) to a net gain of over \$5 billion for 1986, as banks increased their loan-loss reserves, interest rates fell and consumer demand for loans grew [5]. In the insurance industry, 50 percent hikes in property and casualty insurance premiums ended the 6-year decline in profits caused by escalating liability claims [6]. This helped to explain the nearly 250 percent increase in domestic-source taxable income in this industry.

Foreign-source taxable income, during the same time, expanded by just 3.5 percent. Although it increased considerably (by over 76 percent) in the insurance industry, it fell by more than \$1 billion (17.5 percent) in the banking industry.

Nevertheless, on a percentage basis, some industries experienced much more growth between 1984 and 1986 in their foreign-source taxable income than in their domestic-source taxable income. For example, within the electrical and electronic equipment manufacturing industries, foreign-source taxable income climbed 118 percent, from \$2.5 to \$5.5 billion, even though the total domestic-source taxable income fell by more than one third, from nearly \$9 billion to \$5.7 billion. Another example was the non-electrical machinery manufacturers. Foreign-source taxable income for this group rose 39.8 percent, to \$9.6 billion, while domestic-source taxable income plummeted almost 85 percent, from \$6.5 billion to less than \$1 billion. There were similar patterns for the agriculture,

forestry, and fishing; retail trade; and service industries. But, because the combined foreign-source taxable income for these industries was only about 3 percent of the total, the effect of these changes on the aggregate statistics was minimal.

Despite the economic recovery that occurred after 1982, the foreign-source taxable income of the petroleum industry continued the rapid decline that began with the deterioration of the controlled prices of 1979 set by the Organization of Petroleum Exporting Countries (OPEC) (see Definitions section). As a result of severe drops in oil prices in 1986, it fell by \$3.1 billion (16.4 percent) from its 1984 level, while domestic-source taxable income dropped by \$6.6 billion (72.6 percent). Total foreign-source taxable oil and gas extraction income (see Definitions section) for all industries fell to \$12.0 billion for 1986, 31 percent below 1984. The remainder of foreign-source taxable income for all industries rose by 16.5 percent.

Foreign-source taxable income comprised nearly a quarter of the total worldwide taxable income reported by all U.S. corporations. For the mining division, it was over 45 percent. Income from abroad comprised as much as 41 percent of the worldwide taxable income for manufacturing, but only 21 percent of the worldwide taxable income of the finance, insurance and real estate industries. The remaining industries earned only a small proportion of their worldwide taxable income overseas.

### FOREIGN TAXES

Changes between 1984 and 1986 in foreign taxes (see Definitions section) and the foreign tax credit claimed by each industry generally reflected the changes in foreign-source taxable income. In the finance, insurance and real estate industries, foreign taxes were up 31 percent even though foreign-source taxable income went down by about 8 percent, because taxes withheld on interest are generally withheld on gross income, which increased 19.6 percent, rather than on net or taxable income.

In most industries, almost all of the total foreign taxes could be claimed as a foreign tax credit (Figure C). The foreign tax credit claimed exceeded the current-year foreign taxes for some industries because corporations were permitted to carry forward to 1986 the taxes they paid in excess of their limitations for prior years.

### EFFECTIVE FOREIGN TAX RATES

U.S. corporations had approximately the same average tax rate, about 35 percent, on both their total worldwide and foreign-source taxable income. (The

Figure C.—Corporations Claiming a Foreign Tax Credit: Current-Year Foreign Taxes and Foreign Tax Credit by Industry Group, 1986

(Money amounts are in millions of dollars)

Industry group	Current-year foreign taxes	Foreign tax credit
All industries	\$23,103	\$22,261
Agriculture, forestry and fishing	16	13
Mining	832	619
Construction	76	82
Manufacturing	18,803	18,094
Petroleum (including integrated and coal products)	7,081	7,071
Transportation and public utilities	224	232
Wholesale trade	304	290
Retail trade	373	352
Finance, insurance and real estate	2,180	2,262
Services	294	317

average foreign tax rate is the ratio of current-year foreign taxes to foreign-source taxable income. The average U.S. tax is the ratio of U.S. income tax liability, after all credits except the foreign tax credit, to the U.S. income subject to tax. This U.S. rate was considerably less than the top corporate statutory rate of 46 percent for 1986.

The average U.S. and foreign tax rates for the agriculture, forestry and fishing; transportation and public utilities; and finance, insurance, and real estate industries were much lower than the averages for all industries while they were much higher for the mining and petroleum industries due to the high tax rates generally imposed on oil and gas extraction income (Figure D).

In many industries the foreign average rate was considerably lower than the U.S. rate. For example, in the finance, real estate, and insurance industries the U.S. rate

Figure D.—Corporations Claiming a Foreign Tax Credit: Effective Tax Rates on Foreign-Source Taxable Income by Industry Group, 1986

Industry group	Foreign effective tax rate <sup>1</sup>	Worldwide U.S. effective tax rate <sup>2</sup>
All industries	35.1%	34.6%
Agriculture, forestry and fishing	17.5	25.9
Mining	56.4	40.5
Construction	37.4	29.9
Manufacturing	38.5	37.2
Petroleum (including integrated) and coal products	44.3	42.0
Transportation and public utilities	13.1	30.6
Wholesale trade	33.8	37.7
Retail trade	39.0	34.5
Finance, insurance and real estate	20.5	33.4
Services	28.2	27.3

<sup>1</sup>The effective foreign tax rate is the ratio of current-year foreign taxes to foreign-source taxable income.

<sup>2</sup>The effective worldwide U.S. tax rate is the ratio of U.S. income tax after all credits except the foreign tax credit to U.S. income subject to tax.

was 33.4 percent while the foreign rate, since many countries have low withholding rates on interest income, was only 20.5 percent. Transportation and public utilities had a U.S. tax rate of 30.6 but a foreign rate of only 13.1, possibly because some of the income earned by this industry is tax exempt in other countries.

### INDUSTRY COMPOSITION OF THE TOTAL FOREIGN TAX CREDIT

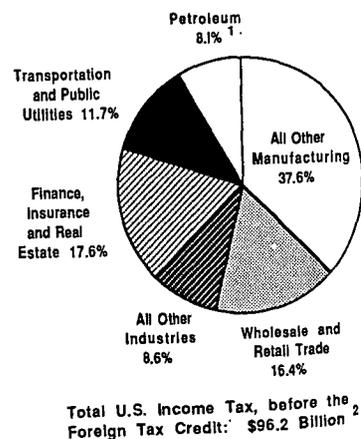
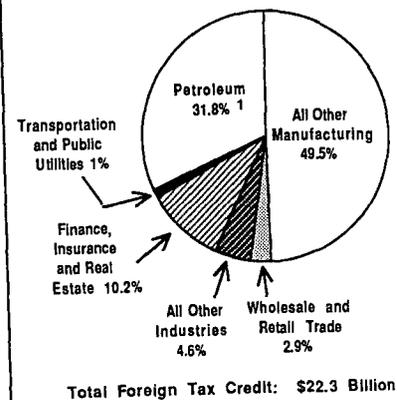
Since some industries earn more of their income abroad than others, the distribution by industry of the total foreign tax credit claimed for 1986, \$22.3 billion, does not resemble the industry distribution of the total U.S. income tax liability (Figure E). For instance, the manufacturing industries claimed 81.3 percent of the total foreign tax credit and 74.2 percent of the total foreign-source taxable income, but they accounted for less than 46 percent of the total U.S. income tax (and 32.8 percent of the total domestic-source taxable income). The industries which had a relatively high share of the total U.S. income tax, such as finance, real estate, and insurance; transportation and public utilities; and wholesale and retail trade, claimed only a small percentage of the total foreign tax credit.

The petroleum industry (a subset of the manufacturing category) was the most dominant. It accounted for less than 1 percent of the total returns claiming a foreign tax credit for 1986, yet these returns accounted for 31.8 percent of the total foreign tax credit and 24.3 percent of the total foreign-source taxable income. This industry was responsible for only 8.1 percent of the total U.S. income tax liability before all credits except the foreign tax credit, and constituted not quite 1.2 percent of the total domestic-source taxable income. The foreign tax credit reduced the total U.S. tax liability of petroleum companies by over \$7 billion, a 91 percent reduction, from \$7,778 million to \$707 million. The major factors which contributed to the size of the foreign tax credit in the petroleum industry were the relatively high foreign tax rates and the fact that income from foreign sources accounted for over 86 percent of the worldwide taxable income of petroleum companies.

### GROSS INCOME AND TAXES BY INCOME TYPE

Total foreign-source gross income, excluding branch and specially allocable income, (see Definitions section) rose 9 percent from 1984 to 1986, to \$93.5 billion. (As taxpayers are only required to report net branch and specially allocable income, these will be discussed in a separate section.) Most of this increase occurred in dividends, dividend gross-up (see Definitions section),

Figure E  
Industry Composition of the Corporate Foreign Tax Credit, 1986



<sup>1</sup>Petroleum includes integrated and coal products.  
<sup>2</sup>Income tax after all credits except the foreign tax credit.

net capital gains, and rents, royalties and licensing fees.

Total gross income from dividends increased 23.8 percent, to \$25.8 billion, while income from dividend gross-up grew 21.0 percent, to \$14.6 billion. With the fall of the dollar against most major foreign currencies in 1985, foreign stocks became more profitable, contributing to a 400 percent leap in net capital gains income, from \$0.8 to \$3.9 billion [7]. Rents, royalties, and licensing fees expanded 21.2 percent to \$11.9 billion. In contrast, total gross interest income rose only from \$17.7 to \$18.6 billion, or 5.3 percent, while total gross income from the performance of services increased about 4 percent, to \$6.4 billion. All other gross income, which includes sales and partnership income, declined by 32.2 percent, to \$12.3 billion.

Overall, the composition of total gross income was slightly different between 1984 and 1986. Dividends and dividend gross-up (combined) still comprised the largest percentage of total gross income, 43.2 percent; but interest income, with 20 percent of the total, was second. Other income (13.1 percent) was third followed by rents, royalties, and licensing fees (12.7 percent); service income (6.8 percent), and net capital gains (4.2 percent).

The type of income reported demonstrates the ways in which U.S. corporations conduct their foreign business activities. If they establish unincorporated foreign branches to carry out their foreign operations, their income would be reported as branch taxable income but if they establish controlled foreign corporations (see Definitions section) their income would be reported as dividends and dividend gross-up. If, however, U.S. corporations choose to conduct their foreign business through direct transactions with related foreign corporations or unrelated entities, their income would appear as gross income, usually as interest; rents, royalties and licensing fees; service or other income.

The high percentage (59.4) of dividends and dividend gross-up to total foreign-source gross income for manufacturing corporations confirms that these corporations operate primarily through foreign subsidiaries. Corporations which produce non-electrical machinery also earn a significant proportion, 42 percent, of their income from rents, royalties and licensing fees, which suggests that these corporations may operate to a certain extent by leasing or licensing their machinery abroad to foreign subsidiaries and unrelated entities.

A large proportion of the gross income of the construction; transportation and public utilities; and agriculture,

forestry and fishing industries was from the performance of services while corporations engaged primarily in finance, insurance, or real estate activities, received most of their foreign gross income from interest. Mining, and wholesale and retail trade are the only industries which have a significant share of income reported as other income (Figure F).

The proportion of total foreign taxes paid or accrued on interest and on income from the performance of services is less than the corresponding proportion of foreign gross income, while the percentage of total taxes paid or accrued on other income exceeds the percentage of total gross income reported as other income (Figure G) [8].

One reason why interest income was 20 percent of the total foreign gross income but taxes on interest income were only 15 percent of the total taxes paid or accrued is the low foreign tax rates on interest income in certain countries as well as the numerous tax treaties between the United States and other countries which have established a zero tax rate on this particular income type.

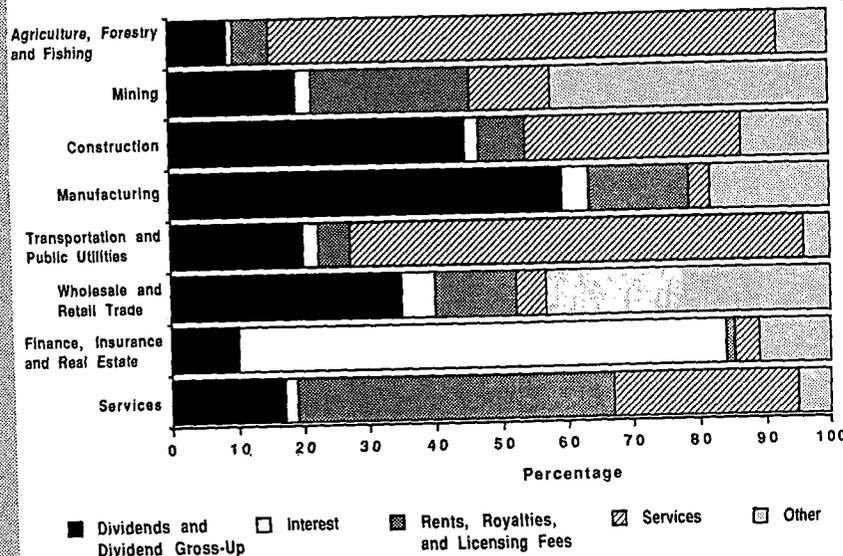
### BRANCH AND SPECIALLY ALLOCABLE INCOME

Income from foreign branches comprised 14.4 percent of total foreign taxable income for 1986, compared to nearly 23 percent for 1984. Between 1984 and 1986 branch income fell 34.7 percent, from \$14.5 billion to \$9.5 billion.

The banking and petroleum manufacturing industries were more likely than other industries to operate through foreign branches. The banking industry, which historically makes its foreign loans through branches rather than through subsidiaries, derived 48.2 percent of its total foreign taxable income from branch activities. The \$2.6 billion decrease in branch income for the petroleum industry accounted for half of the fall in total foreign branch income while the \$2.1 billion drop in branch income in the banking industry was responsible for 41.4 percent. However, total foreign gross income (exclusive of branch income) of the banking industry rose between 1984 and 1986.

Specially allocable Code section 863(b) income (see Definitions section), which constituted 2.9 percent of the total foreign-source taxable income for 1986, also fell from 1984 to 1986, from \$2.4 billion to \$1.9 billion, a drop of 19 percent. The manufacturing industries, especially producers of motor vehicles and nonelectrical machinery, earned most of this income.

**Figure F**  
Total Gross Income by Industrial Division and Income Type, 1986<sup>1</sup>



<sup>1</sup> Of Corporations claiming a Foreign Tax Credit. Excludes branch and specially allocable income.

**SUMMARY**

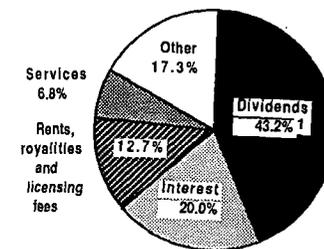
The foreign tax credit rose from \$21.4 billion for 1984 to \$24.3 billion for 1985 before falling to \$22.3 billion for 1986. Worldwide taxable income, however, increased steadily, from \$259.5 billion for 1984 to \$277.8 billion for 1986, reflecting domestic economic growth as evidenced by the expansion of domestic-source taxable income.

Foreign-source taxable income for all industries grew 3.5 percent between 1984 and 1986. It declined in the mining; construction; and finance, insurance, and real estate industrial divisions but rose in all others. Total foreign taxes paid and the foreign tax credit claimed also dropped in mining and construction but grew in finance, insurance, and real estate industries. They also declined in the transportation and public utilities.

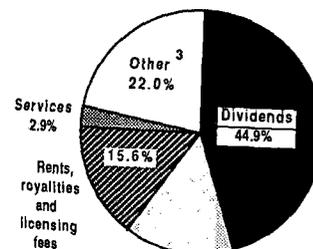
The decrease of income and taxes paid in the petroleum and related industries is responsible for most of the decline in the income and taxes reported for the manufacturing and mining industrial divisions. Foreign-source taxable income reported by petroleum companies fell by 16.4 percent, or \$3.1 billion, while their total foreign taxes declined 29 percent. However, the petroleum industry still claimed the largest portion, 31.8 percent, of the total foreign tax credit claimed for 1986.

Gross income, excluding branch and specially allocable income, from dividends, dividend gross-up, rents, royalties, and licensing fees; and from the performance of services, and net capital gains increased between 1984 and 1986 while other gross income declined. Taxes on branch income decreased significantly between 1984

**Figure G**  
Corporations Claiming A Foreign Tax Credit:  
Foreign Gross Income and Taxes, by Income  
Type, 1986



Foreign Gross Income, (Less Loss)<sup>2</sup>



Foreign Taxes Paid or Accrued<sup>4</sup>

- <sup>1</sup> Includes dividend gross-up.
- <sup>2</sup> Excludes branch and specially allocable income.
- <sup>3</sup> Includes taxes on specially allocable income.
- <sup>4</sup> Excludes taxes paid on branch income.

and 1986. For 1986, it constituted only 14.4 percent of the total foreign-source taxable income, compared to nearly 23 percent of the foreign-source taxable income for 1984 [8, 10].

**DATA SOURCES AND LIMITATIONS**

The 1986 data presented in this article were derived from returns in the corporation Statistics of Income

sample with an accounting period ending between July 1986 and June 1987 and with a foreign tax credit. The corporate sample included approximately 85,100 returns chosen after Internal Revenue Service administrative processing but before audit examination from the approximately 3.4 million active corporation income tax returns filed for Tax Year 1986. Because some returns with foreign tax credits that were included in the 100 percent sample class for this study had arrived too late to be included in the regular corporate statistics, there are slight differences between the statistics presented here and those previously published in *Statistics of Income—1986, Corporation Income Tax Returns*. Estimates for these returns, however, were included in the corporate statistics.

Sampling error is not considered to be a limitation of the data presented in this article inasmuch as all returns with \$250 million or more in total assets were 100 percent sampled and these returns accounted for most of the data: they composed 95.1 percent of the total foreign-source taxable income, 95.6 percent of the total foreign tax credit and 98.3 percent of the total assets reported on returns with a foreign tax credit.

**GENERAL LIMITATIONS**

The foreign tax credit is claimed under Code section 901 of the Internal Revenue Code. In accordance with the Internal Revenue Code, corporations file the foreign income and tax data on Form 1118 that support the foreign tax credit claimed on the corporate return, Form 1120. The statistics in this article were based on the information reported on Forms 1118. Therefore, they do not reflect adjustments made during audit examination, which finally determines the acceptability of the foreign income and taxes reported. Some corporations file preliminary data only because complete information on their foreign operations is often not available when they file their U.S. income tax return.

Foreign income and taxes are underreported in this article to the extent that they were not reported on Form 1118. Some corporations did not file the form because they had no U.S. income tax to report and consequently no foreign tax credit to claim. Others chose to deduct their foreign taxes from their gross income instead of taking the credit, while some corporations simply failed to file the Form 1118 to support the foreign tax credit they claimed on their corporate return. The amount of foreign income and taxes attributable to these returns is considered to be minimal.

## DEFINITIONS

*Interest Charge Domestic International Sales Corporations* are corporations primarily engaged in the sale of U.S. exports. Most income from these corporations is generally not taxed until it has been distributed to a parent corporation in the form of dividends.

*Foreign Sales Corporations* are corporations established mainly to sell the U.S. exports of a U.S. parent corporation. Part of their foreign trade income is tax exempt. Congress imposed a separate foreign tax credit limitation on the foreign taxes paid on this type of income in 1985.

*Industry* in this article refers to the industrial classifications determined under the 1974 Enterprise Standard Industrial Classification (ESIC) authorized by the Office of Management and Budget. The underlying Standard Industrial Classification was that for 1972, as revised in 1977.

*Petroleum industry* (unless otherwise stated) refers to the integrated petroleum industry; that is, all corporations primarily engaged in extraction, or refining, and marketing of crude petroleum.

*The Organization of Petroleum Exporting Countries (OPEC)* is an oil cartel which includes Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

*Foreign taxes* (unless otherwise stated) refers to current-year foreign taxes, which are withholding taxes on dividends, interest, rents, royalties and licensing fees; taxes directly paid or accrued on income from partnerships, services or other income or on foreign branch profits; or taxes deemed paid. The latter are a proportion of the taxes paid on the profits of a related foreign corporation (and its subsidiaries) from which a U.S. parent corporation receives dividends.

*Specially allocable income under Code section 863(b)* is that income which has been earned partially within and partially without the United States, usually from producing in the United States and selling abroad or vice versa, or by transportation, telegraph or cable services.

*Controlled Foreign Corporations (CFC's)* are corporations established outside the United States, more than 50 percent of whose voting stock of all classes of stock was owned by U.S. persons on any day of the taxable year of the CFC.

*Dividend gross-up* is income associated with dividends received or constructively received from a controlled foreign corporation and is equivalent to the tax deemed paid.

*Foreign oil and gas extraction income* is income associated with the extraction of minerals from oil and gas. The amount of taxes on this income that could be used as part of the foreign tax credit is restricted to the highest U.S. rate of corporate tax, 46 percent for 1986.

## NOTES AND REFERENCES

- [1] Total U.S. income tax liability, unless otherwise stated, refers to total U.S. income tax, after all credits except the foreign tax credit. For a more detailed explanation of this definition, see *Statistics of Income Bulletin*, Spring 1987, p. 13-14.
- [2] Domestic-source taxable income is calculated by subtracting the foreign-source taxable income reported on Form 1118 from the worldwide taxable income (total U.S. income subject to tax, reported on Form 1120). Because not all foreign-source income is reported on Form 1118, statistics for foreign-source and domestic-source taxable income are estimates. See "Data Sources and Limitations."
- [3] The 1986 data are compared to 1984 because detailed Form 1118 data on foreign income and taxes are not available for 1985.
- [4] For additional information about the foreign tax credit, see McDaniel, Paul R. and Hugh J. Ault, *Introduction to United States International Taxation*, Kluwer, 1977; and Owens, Elizabeth A., *The Foreign Tax Credit, A Study of the Credit for Foreign Taxes under United States Income Tax Law*, Harvard Law School, 1961.
- [5] Frederick H. Schultz, "Why the Banking System is Getting Stronger," *Fortune*, July 7, 1986, p. 37.
- [6] Richard Morais, "Insurance," *Forbes*, January 13, 1986, p. 170.
- [7] J. Templeman, "Hitching a Ride on the High-flying Overseas Markets," *Business Week*, December 1985, p. 114.
- [8] The percentage of other taxes paid to total taxes paid exceeds the percentage of gross other income to total gross income partly because other taxes includes taxes on Section 863(b) income.
- [9] A future issue of the *Statistics of Income Bulletin* will present the foreign income and taxes data for 1986 by geographical classifications.

[10] These statistics do not include taxes in excess of the limitation that have been carried back to 1986 since these taxes will be reported on amended returns and not were available at the time this article was written.

## EXPLANATORY TABLE NOTES

The data for the following tables are tabulated from the Forms 1120 and 1118 (See Data Sources and Limitations).

For Table 1, the rows are the major industrial divisions (see definition of "industry" in the Definitions section above). Columns 1 through 16 are amounts reported on Form 1120 while the remaining columns are amounts reported on the Form 1118. Columns 18 through 25 reveal the distribution of total foreign gross income across different types of income and sum to column 17 [1]. Gross branch and specially allocable income are not included in this section because taxpayers were required to report only taxable or net income for these two income types prior to the 1986 Tax Reform Act. Foreign oil and gas extraction gross income appears in columns 27 through 31 and adds to the total in column 26. These amounts are also included in the foreign gross income on columns 17 through 25. Columns 32 through 44 contain deductions from the gross income. They are divided into allocable, columns 33 through 37, and not directly allocable deduc-

tions, columns 38 through 41. Columns 33 and 38 are the totals, respectively, and sum to column 32. Columns 39 through 41 do not add to the total on column 38 because there are types of not allocable deductions other than research and development, interest, and general and administrative. Columns 42 through 44 are the deductions to oil and gas extraction income. These amounts are also included in the amounts on columns 32 through 41. Column 45, the total foreign-source taxable income equals column 17 minus column 32 plus columns 46 and 47. Column 48 equals column 17 minus column 32. Column 49 contains the adjustment necessary to derive the total foreign-source taxable income to be used in the calculation of the foreign tax credit limitation. Columns 54 through 62 are the foreign taxes paid, accrued, or deemed paid while columns 67 through 69 are the dividends and deemed paid taxes reported on Schedule C of the Form 1118.

The columns in Table 2 are identical to those in Table 1 but the rows are the different types of separate limitation incomes for which the taxpayer was required to file for 1986. The last row, foreign oil and gas extraction income, is also part of the fourth row, general limitation income.

[1] Columns and rows may not sum exactly due to rounding.

## All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major and selected minor industries	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from IC-DISC or former DISC's	Includable income of controlled foreign corporations	Foreign dividend income resulting from foreign taxes deemed paid (gross-up)	Net income (less deficit)
All industries	4,506	5,435,591,981	2,442,649,277	21,554,661	325,208	3,941,836	14,636,401	140,731,205
Agriculture, forestry and fishing	101	2,250,028	3,074,117	43,098	98	976	4,730	221,938
Mining	144	18,135,933	10,578,720	225,995	—	54,645	226,611	2,042,478
Metal mining	9	738,369	845,760	393	—	—	2,927	105,396
Coal mining	5	3,196,740	2,971,727	—	—	—	—	141,734
Oil and gas extraction	5	12,245,445	4,564,777	223,606	—	54,190	222,741	1,551,874
Nonmetallic minerals, except fuels	114	1,953,360	2,186,458	1,996	—	455	943	243,413
Construction	154	16,593,659	11,500,745	79,655	24	20,315	45,748	390,551
General building contractors and operative builders	80	4,706,997	4,244,370	22,474	—	7,439	13,184	80,441
Heavy construction contractors	19	11,461,261	6,316,013	52,114	24	12,876	28,487	281,642
Special trade contractors	54	428,302	940,301	5,077	—	—	4,067	165,026
Manufacturing	1,591	1,652,858,963	1,368,075,147	18,844,833	285,857	3,020,856	12,990,501	87,924,560
Food and kindred products	87	96,670,391	101,127,181	760,080	5,588	159,305	5,932,881	5,932,881
Tobacco manufactures	5	48,249,238	46,369,396	262,448	8,889	109,231	2,423,849	2,423,849
Textile mill products	24	11,230,426	13,027,749	46,277	131	8,094	22,828	564,203
Apparel and other textile products	43	7,925,450	7,804,911	3,766	22	9,536	3,019	655,925
Lumber and wood products	10	24,834,794	21,804,651	43,058	953	10,717	41,494	1,002,330
Furniture and fixtures	90	4,783,864	7,700,055	12,652	182	354	4,457	77,109
Paper and allied products	58	40,452,977	38,960,512	278,099	12,063	15,166	203,248	2,689,347
Printing and publishing	92	35,274,800	35,550,914	152,975	1,012	10,194	91,428	4,465,067
Chemicals and allied products	184	212,359,190	215,763,743	2,976,226	129,918	930,324	2,197,585	16,337,757
Petroleum (including integrated) and coal products	15	311,401,958	221,389,593	5,743,173	3,357	964,664	4,177,622	16,675,186
Rubber and miscellaneous plastic products	157	18,787,354	21,563,104	291,098	3,137	26,116	137,082	985,863
Leather and leather products	13	5,744,475	6,521,932	19,212	3,579	8,302	21,349	492,899
Stone, clay and glass products	45	48,705,651	27,621,733	332,353	3,709	16,172	173,175	2,404,693
Fabricated metal products	31	43,362,139	23,245,278	177,727	2,780	79,072	118,858	915,361
Machinery, except electrical	121	34,143,653	31,830,178	461,935	7,957	16,942	230,511	2,434,366
Electrical and electronic equipment	237	113,752,737	103,822,926	3,437,287	39,934	90,153	2,829,741	6,671,992
Motor vehicles and equipment	185	209,180,131	221,044,334	1,068,694	32,510	1,024,909	9,492,358	5,226,179
Transportation equipment, except motor vehicles	34	41,225,861	39,494,162	240,878	13,025	27,865	171,701	1,861,865
Instruments and related products	78	21,755,324	23,354,765	175,606	4,524	86,772	148,237	647,687
Miscellaneous manufacturing products & manufacturing not allocable	58	9,572,106	11,143,047	46,730	2,221	15,906	29,271	890,978
Transportation and public utilities	160	258,100,948	146,288,983	235,511	1,156	233,294	184,112	9,221,150
Transportation	122	37,156,243	30,265,040	93,982	138	51,654	31,055	1,149,118
Communication	18	145,874,163	87,904,941	130,183	846	144,627	115,921	5,355,575
Electric, gas and sanitary services	18	228,590,902	339,012,482	733,117	5,444	155,257	440,615	2,707,056
Wholesale and retail trade	719	228,590,902	339,012,482	733,117	5,444	155,257	440,615	9,962,481
Wholesale trade	25	536,016	2,099,304	809	—	49	9	337,278
Groceries and related products	604	5,876,724	9,689,187	36,041	347	808	12,053	154,596
Machinery, equipment and supplies	49	52,874,946	120,380,303	320,022	4,721	37,783	138,134	2,738,689
Miscellaneous wholesale trade	530	3,840,678	9,670,596	24,398	55	482	14,041	324,909
Drugs, chemicals and allied products	18	13,014,146	19,124,195	117,875	147	22,526	43,427	874,243
Petroleum and petroleum products	491	36,020,122	91,585,512	177,649	4,519	14,774	80,665	1,538,436
Other miscellaneous wholesale trade	11	169,303,217	206,843,687	376,244	375	116,618	290,419	6,652,213
Retail trade	8	12,245,212	5,451,027	83,801	—	650	61,261	3,556,867
General merchandise stores	7	6,728,465	11,562,929	1,495	—	991	202	645,969
Food stores	3	21,111,330	19,659,731	150,745	313	21,360	1,274,827	1,274,827
Apparel and accessory stores	7	6,508,169	11,874,984	36,323	—	—	10,798	428,092
Eating and drinking places	16	3,199,635,300	513,718,421	1,148,392	25,216	408,699	608,452	27,941,354
Miscellaneous retail stores	999	1,930,813,897	1,923,178,798	756,709	302	215,315	400,992	8,281,941
Finance, insurance and real estate	146	139,412,457	23,460,661	69,183	15,596	28,218	29,123	1,109,651
Banking	58	280,565,610	27,803,199	25,980	—	10,641	1,719	7,178
Credit agencies other than banks	113	814,997,433	256,993,307	161,996	39	141,803	91,767	14,104,334
Security, commodity brokers and services	56	11,042,041	4,666,480	50,814	—	11,326	37,369	634,241
Insurance	109	19,652,615	6,181,211	59,798	9,194	159	39,061	405,566
Real estate	370	60,428,247	50,376,901	231,899	7,413	47,794	155,132	1,109,651
Holding & other investment companies except bank holding companies	29	4,983,609	3,587,233	—	—	18,207	117,630	203,064
Services	8	2,451,161	2,974,634	25,900	—	720	20,709	1,822,127
Hotels and other lodging places	377	12,039,990	19,450,540	130,296	3,639	7,755	91,499	1,187,627
Personal services	15	5,053,715	4,716,930	6,660	—	—	18,966	1,187,627
Business services	176	24,908,796	12,449,859	16,768	3,679	15,148	18,966	254,244
Auto repair, miscellaneous repair services	42	9,090,876	7,197,406	8,491	—	5,964	6,328	254,244
Amusement and recreational services								
Other services								

Footnotes at end of table

## All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major and selected minor industries	Income subject to U.S. tax	U.S. income tax before credits		Foreign tax credit claimed	U.S. possessions tax credit	General business credit	Other credits	U.S. income tax after credits
		Total	Regular and alternative tax					
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(16)
All industries	130,825,826	54,807,185	53,491,339	22,261,231	5,054	6,992,426	35,249	26,113,226
Agriculture, forestry and fishing	213,785	93,908	93,496	12,641	—	8,814	—	72,452
Mining	1,942,335	858,618	845,094	618,542	—	27,405	192	212,480
Metal mining	105,396	48,402	48,402	47,478	—	—	—	192
Coal mining	84,728	39,868	32,223	1,790	—	—	—	18,690
Oil and gas extraction	1,528,521	670,249	667,004	587,700	—	2,599	44	99,900
Nonmetallic minerals, except fuels	213,669	100,099	97,464	1,567	—	6,116	—	92,416
Construction	240,788	123,234	116,877	81,723	—	10,490	—	28,012
General building contractors and operative builders	48,266	32,150	31,648	21,039	—	4,655	—	6,456
Heavy construction contractors	165,026	79,554	73,748	55,982	—	6,045	—	15,526
Special trade contractors	27,497	11,530	11,481	4,702	—	798	—	6,030
Manufacturing	82,103,134	35,871,339	34,952,184	18,094,452	1,752	3,329,316	38,338	14,407,370
Food and kindred products	2,435,320	1,039,304	1,039,304	268,650	—	206,449	1,003	1,465,186
Tobacco manufactures	2,324,734	1,050,254	1,039,304	268,650	—	—	—	1,039,304
Textile mill products	555,860	255,486	247,023	29,989	—	42,904	—	255,486
Apparel and other textile products	650,177	297,778	297,538	7,401	332	4,551	—	285,493
Lumber and wood products	987,961	335,043	343,190	41,986	—	62,812	—	230,245
Furniture and fixtures	749,752	339,650	339,650	9,494	—	—	—	339,650
Paper and allied products	2,339,182	1,004,010	977,085	275,946	—	—	—	319,938
Printing and publishing	4,368,788	1,792,745	1,779,998	129,443	—	55,034	—	1,567,768
Chemicals and allied products	15,392,062	6,425,245	6,201,505	3,070,633	51	688,589	4,246	2,661,726
Petroleum (including integrated) and coal products	18,188,438	7,902,054	7,739,022	7,071,083	—	22,913	39	568,719
Rubber and miscellaneous plastic products	951,797	406,589	389,956	136,324	—	30,331	82,949	239,825
Leather and leather products	306,160	136,596	140,879	20,899	1,369	6,037	—	108,291
Stone, clay and glass products	708,204	96,554	940,655	229,511	—	124,913	2	610,138
Primary metal industries	2,238,194	965,342	953,450	302,961	—	67,017	—	108,909
Fabricated metal products	8,439,952	3,869,877	3,806,911	3,092,437	—	93,901	—	683,535
Machinery, except electrical	6,056,564	3,700,469	3,561,466	1,498,244	—	694,417	—	1,507,808
Electrical and electronic equipment	4,737,994	2,218,482	2,104,506	591,351	—	302,175	1	1,234,956
Motor vehicles and equipment	1,555,380	647,687	620,942	211,316	—	—	—	316,023
Instruments and related products	1,040,165	476,110	459,400	180,805	—	48,253	238	246,815
Miscellaneous manufacturing products & manufacturing not allocable	728,937	332,864	330,085	44,182	—	34,178	—	254,505
Transportation and public utilities	8,880,365	3,860,895	3,740,313	232,474	—	1,520,840	1,367	2,100,214
Transportation	1,044,811	415,657	393,224	58,258	—	179,159	48	179,159
Communication	5,135,485	2,257,333	2,176,500	154,343	—	940,207	—	1,162,784
Electric, gas and sanitary services	2,706,069	1,187,903	1,170,588	19,872	—	402,443	1,317	764,271
Wholesale and retail trade	9,623,141							

## All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major and selected minor industries	Foreign income and taxes reported on Form 1118								
	Gross income (less loss) excluding branch operations and specialty allocable income								
	Total	Dividends	Dividend gross-up	Interest	Rents, royalties and license fees	Service income	Net capital gain	Partnership income	Other income
(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	
All industries.....	93,530,645	25,789,233	14,635,179	18,670,536	11,901,161	6,372,908	3,900,464	120,416	12,140,747
Agriculture, forestry and fishing.....	531,190	42,126	4,730	5,182	28,417	409,463	73	18	41,181
Mining.....	2,626,853	279,561	226,611	62,018	630,501	321,364	-870	-7,171	1,114,839
Metal mining.....	423,336	393	2,927	10,981	778	314,298	—	—	93,949
Coal mining.....	49,555	—	—	4,276	1,451	—	—	—	43,929
Oil and gas extraction.....	2,147,458	276,721	222,741	45,947	628,181	316,766	-2,704	-7,171	976,952
Nonmetallic minerals, except fuels.....	16,404	2,447	943	813	181	276	1,834	—	9
Construction.....	303,462	90,256	45,748	6,043	21,220	99,460	3,712	27,606	9,417
General building contractors and operative builders.....	122,360	29,913	13,184	2,469	4,209	65,446	2,879	-279	4,809
Heavy construction contractors.....	147,393	55,270	28,497	3,066	16,998	11,847	833	27,884	3,008
Special trade contractors.....	33,439	5,073	4,067	1,508	223	1,607	—	—	1,601
Manufacturing.....	59,317,598	22,226,131	12,989,791	2,384,414	9,157,558	1,830,261	3,038,153	38,700	7,672,569
Food and kindred products.....	2,155,316	853,557	560,589	145,544	367,042	28,602	96,562	11,871	81,548
Tobacco manufacturers.....	290,266	297,730	226,438	39,055	118,698	6,037	54,563	1,539	76,185
Textile mill products.....	111,191	48,804	22,825	7,318	20,120	6,669	3,918	302	1,174
Apparel and other textile products.....	54,476	13,185	3,019	551	37,034	261	7	79	329
Lumber and wood products.....	123,917	53,773	14,494	13,341	883	11,937	—	11	13,225
Furniture and fixtures.....	46,399	11,230	4,456	1,277	7,015	4,026	16,180	—	2,115
Paper and allied products.....	927,078	292,297	203,248	32,486	233,175	6,727	124,975	319	33,851
Printing and publishing.....	107,190	156,672	91,424	40,830	115,623	79,612	6,399	10,089	78,561
Chemicals and allied products.....	10,187,367	4,297,233	2,197,589	315,514	1,466,010	191,449	408,445	5,777	1,055,349
Petroleum (including integrated) and coal products.....	16,941,529	7,274,064	4,177,618	867,807	161,874	569,770	949,559	12,286	4,928,132
Rubber and miscellaneous plastic products.....	616,033	302,770	135,904	5,264	81,000	66,555	-737	135	25,082
Leather and leather products.....	68,585	25,705	21,349	1,852	9,572	15,537	296	—	4,872
Stone, clay and glass products.....	771,037	330,100	173,175	10,486	112,709	10,726	3,554	2,156	127,700
Primary metal industries.....	673,470	273,259	118,854	12,042	165,152	25,949	6,226	-568	72,556
Fabricated metal products.....	956,812	428,748	230,512	25,549	113,124	37,580	67,707	-10,276	63,667
Machinery, except electrical.....	11,697,742	3,383,443	2,829,754	205,688	4,929,587	100,263	32,105	2,569	214,335
Electrical and electronic equipment.....	6,486,951	2,534,174	1,024,914	274,871	699,676	478,353	1,147,123	-434	327,274
Motor vehicles and equipment.....	2,324,715	1,027,111	577,362	233,365	182,194	81,518	49,836	2,828	170,503
Transportation equipment, except motor vehicles.....	814,954	328,585	171,701	78,706	40,449	110,774	68,621	—	15,119
Instruments and related products.....	887,562	234,013	148,235	36,842	207,804	16,118	20	47	44,484
Miscellaneous manufacturing products & manufacturing not allocable.....	173,009	58,675	29,271	15,925	49,043	1,831	1,994	—	15,269
Transportation and public utilities.....	2,961,694	428,294	164,110	70,807	138,956	2,046,139	18,184	19,283	75,821
Transportation.....	774,805	112,924	31,053	31,547	9,445	572,421	9,928	6,317	1,169
Communication.....	2,103,690	267,387	115,921	37,658	126,347	1,473,073	8,249	18,114	56,940
Electric, gas and sanitary services.....	83,200	47,983	17,135	1,602	3,164	645	—	—	12,664
Wholesale and retail trade.....	3,721,614	667,938	440,615	191,429	457,892	162,284	107,844	482	1,493,350
Wholesale trade.....	2,497,228	391,510	150,195	116,804	330,437	103,300	77,571	1,103	1,336,308
Groceries and related products.....	12,329	1,809	1,919	677	148	—	—	—	668
Machinery, equipment and supplies.....	109,416	35,524	12,052	7,498	21,769	4,964	6,668	39	20,911
Miscellaneous wholesale trade.....	2,385,483	345,177	139,134	108,629	308,521	98,337	70,903	1,072	1,314,711
Drugs, chemicals and allied products.....	246,695	24,880	14,041	2,065	9,587	724	37	—	105,339
Petroleum and petroleum products.....	595,917	178,580	43,427	5,093	260,140	-13	-13	—	108,699
Other miscellaneous wholesale trade.....	1,542,872	141,717	80,665	101,450	38,793	97,612	70,878	-1,072	1,010,683
Retail trade.....	1,224,386	486,428	290,420	74,605	127,455	58,984	30,073	-621	157,042
General merchandise stores.....	480,443	191,112	81,262	51,589	5,996	55,549	-296	1	114,581
Food stores.....	179,860	84,451	51,206	765	22,375	—	—	—	20,880
Apparel and accessory stores.....	25,839	2,486	202	128	2,308	—	1,235	—	19,479
Eating and drinking places.....	457,638	170,251	166,952	22,015	93,202	3,178	316	-622	2,346
Miscellaneous retail stores.....	80,605	38,128	10,798	109	2,604	257	26,615	—	1,658,675
Finance, insurance and real estate.....	21,559,140	1,572,343	608,343	15,921,461	270,511	802,632	715,723	11,451	576,708
Banking.....	15,895,500	935,731	400,992	13,398,257	202,966	112,733	265,673	3,340	482,966
Credit agencies other than banks.....	1,068,059	170,820	29,123	829,912	29,364	269,771	64,810	333	482,966
Security, commodity brokers and services.....	392,295	33,264	7,178	291,800	5,708	49,120	4,891	891	331
Insurance.....	2,979,360	307,621	91,787	1,364,449	17,487	255,148	367,958	4,994	574,020
Insurance agents, brokers and services.....	202,867	60,425	37,372	23,237	6,376	66,937	2,109	607	6,214
Real estate.....	30,357	4,814	2,942	546	1,773	14,056	—	11	—
Holding & other investment companies except bank holding companies.....	190,664	59,669	38,949	13,259	7,735	41,868	15,173	1,375	12,634
Services.....	2,496,841	270,431	155,132	49,202	1,196,105	701,304	17,845	30,048	76,773
Hotels and other lodging places.....	132,785	64,331	17,630	778	35,413	12,002	65	430	2,137
Personal services.....	103,918	23,785	20,709	1,627	2,089	55,290	—	—	338
Business services.....	810,151	132,861	91,499	23,925	189,809	300,330	14,898	8,970	49,972
Auto repair; miscellaneous repair services.....	115,614	—	—	4,482	5,779	457	—	—	4,886
Amusement and recreational services.....	1,212,758	35,538	18,966	10,933	959,131	166,824	—	3,734	17,628
Other services.....	221,605	13,936	6,328	7,558	3,883	166,401	2,885	18,576	2,039

Footnotes at end of table.

## All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major and selected minor industries	Foreign income and taxes reported on Form 1118							Deductions other than from branch operations and specialty allocable income
	Oil and gas extraction income (less loss)							
	Total	From extraction of oil or gas	From sale of business assets	Dividends from foreign corporations	Includable income of controlled foreign corporations	Partnership income	Total	
(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	
All industries.....	18,083,774	10,909,143	237,186	6,627,128	123,828	-3,511	39,118,710	23,757,954
Agriculture, forestry and fishing.....	—	—	—	—	—	—	440,643	431,706
Mining.....	1,931,262	1,592,354	-243	231,604	114,737	-7,190	1,205,761	1,176,837
Metal mining.....	—	—	—	—	—	—	387,973	382,409
Coal mining.....	—	—	—	—	—	—	37,555	35,247
Oil and gas extraction.....	1,931,262	1,592,354	-243	231,604	114,737	-7,190	778,303	757,905
Nonmetallic minerals, except fuels.....	—	—	—	—	—	—	1,829	1,175
Construction.....	—	—	—	—	—	—	109,751	92,536
General building contractors and operative builders.....	—	—	—	—	—	—	64,731	57,075
Heavy construction contractors.....	—	—	—	—	—	—	23,074	21,312
Special trade contractors.....	—	—	—	—	—	—	21,946	—
Manufacturing.....	15,884,903	9,050,274	237,422	6,593,597	—	3,609	17,156,327	13,597,936
Food and kindred products.....	—	—	—	—	—	—	342,890	342,890
Tobacco manufacturers.....	—	—	—	—	—	—	313,102	139,082
Textile mill products.....	—	—	—	—	—	—	21,003	12,762
Apparel and other textile products.....	—	—	—	—	—	—	9,288	6,288
Lumber and wood products.....	—	—	—	—	—	—	5,966	603
Furniture and fixtures.....	—	—	—	—	—	—	6,211	4,071
Paper and allied products.....	—	—	—	—	—	—	182,189	43,054
Printing and publishing.....	—	—	—	—	—	—	159,505	116,923
Chemicals and allied products.....	1,053,895	456,105	—	587,781	—	—	3,297,112	2,393,009
Petroleum (including integrated) and coal products.....	14,830,925	8,584,077	237,422	6,005,817	—	3,609	6,802,704	6,490,749
Rubber and miscellaneous plastic products.....	—	—	—	—	—	—	77,805	15,047
Leather and leather products.....	—	—	—	—	—	—	7,545	7,545
Stone, clay and glass products.....	—	—	—	—	—	—	162,263	93,420
Primary metal industries.....	—	—	—	—	—	—	276,888	163,178
Fabricated metal products.....	—	—	—	—	—	—	209,768	117,304
Machinery, except electrical.....	—	—	—	—	—	—	2,718,771	2,205,227
Electrical and electronic equipment.....	93	93	—	—	—	—	1,422,759	1,037,035
Motor vehicles and equipment.....	—	—	—	—	—	—	600,063	212,932
Transportation equipment, except motor vehicles.....	—	—	—	—	—	—	278,539	250,076
Instruments and related products.....	—	—	—	—	—	—	214,095	31,352
Miscellaneous manufacturing products & manufacturing not allocable.....								

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major and selected minor industries	Foreign income and taxes reported on Form 1118								
	Deductions other than from branch operations and specially allocable income—Continued								
	Deductions allocable to specific types of income—Continued				Deductions not allocable to specific types of income				
	Rental, royalty and licensing expenses		Service expenses	Other deductions	Total	Research and development	Interest	General and administrative	Depreciation, depletion and amortization
(34)	(35)	(36)							
All industries	318,003	973,931	2,877,092	19,588,927	15,360,756	83,188	5,307,304	1,929,676	
Agriculture, forestry and fishing	—	283	—	431,423	8,937	—	6,937	—	
Mining	75,249	325,938	172,006	603,644	28,924	9	3,270	77	
Metal mining	—	—	168,955	213,454	5,564	—	38	56	
Coal mining	—	1,079	—	34,269	2,308	—	—	—	
Oil and gas extraction	75,249	324,859	3,051	354,747	20,398	9	3,233	—	
Nonmetallic minerals, except fuels	—	—	—	1,175	654	—	—	—	
Construction	5	1,383	83,033	8,115	17,216	—	446	4,418	
General building contractors and operative builders	—	—	56,402	673	7,656	—	446	4,422	
Heavy construction contractors	5	1	7,442	8,326	—	—	—	—	
Special trade contractors	—	1,383	19,930	1,534	—	—	—	—	
Manufacturing	121,352	252,974	642,355	12,581,254	3,558,391	82,608	547,556	1,228,410	
Food and kindred products	203	59,134	12,914	153,142	115,597	—	20,354	5,138	
Tobacco manufactures	—	437	4,727	133,918	174,020	—	65,374	94,026	
Textile mill products	67	2,670	5,330	4,695	8,241	—	2,303	731	
Apparel and other textile products	5	2,714	1	3,773	2,795	—	432	246	
Lumber and wood products	—	—	439	164	5,393	—	168	72	
Furniture and fixtures	—	—	2,566	1,505	2,140	—	—	—	
Paper and allied products	—	137	2,394	40,523	139,134	7,308	6,940	76,899	
Printing and publishing	246	17,094	38,410	61,174	42,582	—	77,323	347,974	
Chemicals and allied products	3,754	14,558	99,991	2,274,707	904,102	14,860	—	—	
Petroleum (including integrated) and coal products	9	4,724	57,314	6,428,703	311,954	—	101,213	160,408	
Rubber and miscellaneous plastic products	56	1,848	1,438	11,705	62,798	10,826	12,768	25,097	
Leather and leather products	11	127	2,421	1,269	1,269	—	352	—	
Stone, clay and glass products	507	1,157	12,524	79,232	68,943	—	8,409	17,295	
Fabricated metal products	26,952	82,842	4,982	68,403	113,709	—	11,511	80,891	
Machinery, except electrical	2,039	1,475	24,057	89,732	92,464	3,233	14,772	34,877	
Electrical and electronic equipment	36,260	16,982	16,051	2,199,934	512,544	22,450	16,510	65,310	
Motor vehicles and equipment	18,507	41,350	180,769	795,409	385,724	23,768	61,825	69,658	
Transportation equipment, except motor vehicles	22,831	4,156	63,675	122,270	387,130	—35	135,084	61,423	
Instruments and related products	9,872	7,474	101,425	131,305	28,483	—	19,125	3,704	
Miscellaneous manufacturing products & manufacturing not allocable	14	651	10,728	19,959	182,743	169	7,018	82,878	
Transportation and public utilities	2,618	19,412	962,536	111,403	280,526	—	24,353	3,178	
Transportation	506	353	537,223	7,824	53,170	—	23,858	2,894	
Communication	1,701	17,726	425,249	88,426	220,254	—	494	914	
Electric, gas and sanitary services	411	1,332	64	15,152	7,103	—	—	—	
Wholesale and retail trade	1,600	2,644	71,747	1,419,125	520,078	—	20,856	9,773	
Wholesale trade	1,481	1,581	48,103	1,254,655	348,705	—	14,794	1,500	
Groceries and related products	—	—	—	633	1,47	—	3	—	
Machinery, equipment and supplies	—	92	23	20,879	17,493	—	5,141	1,501	
Miscellaneous wholesale trade	1,481	1,489	48,080	1,233,142	331,165	—	9,651	1,501	
Drugs, chemicals and allied products	—	—	—	144,911	2,969	—	473	—	
Petroleum and petroleum products	1,170	—	—	205,684	72,805	—	4,037	—	
Other miscellaneous wholesale trade	311	1,489	48,080	882,347	255,391	—	5,140	1,055	
Retail trade	119	1,063	23,645	164,470	171,373	—	6,061	8,279	
General merchandise stores	—	—	21,618	126,333	106,351	—	6,028	—	
Food stores	—	—	—	19,404	372	—	—	—	
Apparel and accessory stores	—	739	—	12,096	41	—	15	—	
Eating and drinking places	119	313	2,027	6,449	64,158	—	—	43	
Miscellaneous retail stores	—	11	—	199	451	—	18	—	
Finance, insurance and real estate	49,243	217,028	527,081	4,294,384	10,153,675	90	4,703,385	676,887	
Banking	44,887	200,847	46,404	2,190,890	9,208,935	90	4,688,336	1,441	
Credit agencies other than banks	2,712	2,692	230,190	752,188	681,478	—	7,036	—	
Security, commodity brokers and services	—	3,055	33,260	26,347	84,502	—	—	31,340	
Insurance	—	—	149,212	1,297,654	130,506	—	5,068	—	
Insurance agents, brokers and services	—	—	45,181	2,044	27,340	—	572	—	
Real estate	—	—	13,615	3,596	1,938	—	—	—	
Holding & other investment companies except bank holding companies	954	179	19,230	21,674	18,976	—	2,383	1,304	
Services	67,936	154,268	418,334	139,579	793,008	480	500	—	
Hotels and other lodging places	—	—	10,957	1,576	31,824	—	—	—	
Personal services	—	423	44,833	2,271	5,651	—	—	1,865	
Business services	4,457	54,165	223,440	67,563	480	—	390	—	
Auto repair, miscellaneous repair services	—	—	—	201	1,849	—	—	2,137	
Amusement and recreational services	58,914	68,393	14,548	75,380	653,285	—	—	—	
Other services	940	2,800	124,354	15,800	28,837	—	110	—	

Footnotes at end of table.

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major and selected minor industries	Foreign income and taxes reported on Form 1118									
	Deductions from oil and gas extraction income			Taxable income (less loss)						
	Total	Allocable to specific types of income	Not allocable to specific types of income	Before loss recapture					Recapture of prior year	After loss recapture
				Total	Foreign branch income	Specially allocable income (Section 863 (B))	Other than from branch operations and specially allocable income	Other loss recapture		
(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)		
All industries	6,086,517	6,011,916	74,601	65,809,314	9,496,597	1,900,781	54,411,935	176,990	85,632,334	
Agriculture, forestry and fishing	—	—	1,901	89,417	-2,103	973	90,547	4,667	84,750	
Mining	845,227	799,644	45,584	1,474,879	63,810	-24	1,421,093	—	1,474,879	
Metal mining	—	—	—	1,055,671	70,308	—	1,055,671	—	1,055,671	
Coal mining	—	—	—	12,108	108	—	12,108	—	12,108	
Oil and gas extraction	845,227	799,644	45,584	1,348,219	-20,937	—	1,369,155	—	1,348,218	
Nonmetallic minerals, except fuels	—	—	—	18,862	4,331	-24	14,575	—	18,882	
Construction	—	—	—	203,554	9,063	780	193,711	1,210	202,344	
General building contractors and operative builders	—	—	—	58,679	—	780	57,899	1,210	57,469	
Heavy construction contractors	—	—	—	133,382	9,063	—	124,319	—	133,382	
Special trade contractors	—	—	—	11,493	—	—	11,493	—	11,493	
Manufacturing	5,123,119	5,096,278	26,841	48,808,782	4,871,610	1,775,902	42,161,271	130,772	48,678,011	
Food and kindred products	—	—	—	2,029,615	232,041	15,249	1,812,325	41,449	1,908,167	
Tobacco manufactures	—	—	—	643,244	-68,710	104,790	607,164	—	643,244	
Textile mill products	—	—	—	90,190	-8	10	90,189	—	89,401	
Apparel and other textile products	—	—	—	46,902	1,679	36	45,187	1,617	40,735	
Lumber and wood products	—	—	—	108,034	1,368	-12,405	117,951	—	106,934	
Furniture and fixtures	—	—	—	40,640	566	—	40,189	—	40,189	
Paper and allied products	—	—	—	767,718	4,180	18,648	744,890	830	768,888	
Printing and publishing	—	—	—	401,312	-23,248	4,875	419,665	—	401,312	
Chemicals and allied products	23,404	4,285	19,118	7,744,091	590,224	263,612	6,890,255	17,032	7,727,059	
Petroleum (including integrated) and coal products	5,099,623	5,091,900	7,723	16,000,128	3,813,694	47,609	12,138,826	30,320	15,969,808	
Rubber and miscellaneous plastic products	—	—	—	538,581	-1,638	2,191	538,228	28,511	510,700	
Leather and leather products	—	—	—	60,412	388	-1,016	61,040	44	60,368	
Stone, clay and glass products	—	—	—	621,410	744	11,893	608,773	401	621,000	
Primary metal industries	—	—	—	428,297	7,949	22,335	396,564	68	426,198	
Fabricated metal products	—	—	—	147,947	21,869	15,034	747,044	193	783,754	
Machinery, except electrical	—	—	—	9,596,648	207,623	350,054	8,978,972	2,499	9,584,150	
Electrical and electronic equipment	93	93	—	5,458,641	134,957	259,492	5,064,192	894	5,457,747	
Motor vehicles and equipment	—	—	—	2,168,987	-115,303	559,639	1,724,652	1,194	2,167,793	
Transportation equipment, except motor vehicles	—	—	—	646,985	14,209	-3,699	536,415	—	546,985	
Instruments and related products	—	—	—	608,403	18,967	115,609	473,467	181	607,862	
Miscellaneous manufacturing products & manufacturing not allocable	—	—	—	128,085	1,319	1,521	126,245	199	127,866	
Transportation and public utilities	8,370	8,370	—	1,701,947	28,261	88,469	1,585,197	5,092	1,696,655	
Transportation	—	—	—	275,705	11,618	88,359	175,728	4,157	271,548	
Communication	—	—	—	1,366,527	16,064	130	1,350,333	389	1,366,138	
Electric, gas and sanitary services	8,370	8,370	—	59,715	579	—	59,137	545	59,170	
Wholesale and retail trade	103,549	101,373	2,176	1,856,204	131,648	18,136	1,706,426	13,062	1,843,142	
Wholesale trade	103,549	101,373	2,							

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major and selected minor industries	Foreign income and taxes reported on Form 1118								
	Foreign taxes available for credit								
	Total after reduction	Reduction for certain foreign taxes	Total before reduction	Paid or accrued					Other taxes paid or accrued on
				Taxes withheld at source on					
(51)	(52)	(53)	(54)	Dividends (55)	Interest (56)	Rentals, royalties and license fees (57)	Branch income (58)	Service income (59)	
All industries.....	27,407,906	1,059,505	28,467,411	8,467,889	2,329,825	756,804	809,655	3,273,582	152,570
Agriculture, forestry and fishing.....	26,241	—	26,241	10,962	1,268	136	1,785	71	7,613
Mining.....	1,057,210	180,493	1,237,702	605,885	50,957	1,326	203,836	62,730	29,756
Metal mining.....	1,688,261	5,701	1,739,962	70,261	36	71	—	40,389	28,097
Coal mining.....	9,621	—	9,621	9,604	—	281	132	95	—
Oil and gas extraction.....	877,113	174,792	1,051,906	524,940	50,553	854	203,688	21,795	1,658
Nonmetallic minerals, except fuels.....	2,214	—	2,214	1,080	368	121	16	480	29
Construction.....	100,127	—	100,127	30,307	9,236	68	1,516	4,307	707
General building contractors and operative builders.....	36,633	—	36,633	2,995	1,394	65	—	—	306
Heavy construction contractors.....	58,570	—	58,570	26,554	7,371	8	1,070	4,307	232
Special trade contractors.....	4,724	—	4,724	657	471	15	—	—	189
Manufacturing.....	21,995,773	651,926	22,647,699	5,813,368	2,086,037	125,544	517,900	2,348,107	75,446
Food and kindred products.....	840,968	—	840,968	246,198	27,712	9,530	22,395	108,168	2,446
Tobacco manufactures.....	252,199	—	252,199	65,761	35,354	884	14,196	13,596	34
Textile mill products.....	31,246	—	31,246	6,152	3,334	55	1,121	1,111	351
Apparel and other textile products.....	7,977	—	7,977	4,530	1,138	34	3,080	228	76
Lumber and wood products.....	49,025	*43	49,068	*7,574	4,283	1,911	*762	1,560	76
Furniture and fixtures.....	11,146	—	11,146	3,961	2,937	142	745	100	52
Paper and allied products.....	291,325	—	291,325	65,297	39,206	2,163	14,747	5,026	284
Printing and publishing.....	138,950	—	138,950	31,487	11,099	927	6,468	6,377	123
Chemicals and allied products.....	3,263,203	22,176	3,285,379	825,736	364,679	19,893	90,271	311,926	8,460
Petroleum (including integrated) and coal products.....	9,381,313	829,025	10,210,338	2,903,559	642,871	36,308	9,817	1,684,089	24,207
Rubber and miscellaneous plastic products.....	191,773	—	191,773	49,765	26,793	519	9,443	1,431	2,446
Leather and leather products.....	24,854	188	25,042	3,640	1,747	43	892	444	286
Stone, clay and glass products.....	250,009	—	250,009	41,189	29,545	235	9,622	671	333
Primary metal industries.....	196,961	—	196,961	30,182	12,889	367	11,273	4,359	362
Fabricated metal products.....	349,258	—	349,258	69,500	47,982	2,291	7,114	6,345	435
Machinery, except electrical.....	3,724,867	116	3,724,983	798,450	404,865	14,445	231,301	132,080	2,117
Electrical and electronic equipment.....	1,604,687	379	1,605,065	270,267	107,010	7,427	58,408	45,762	11,829
Motor vehicles and equipment.....	887,276	—	887,276	307,409	128,990	22,046	8,329	34,753	18,728
Transportation equipment, except motor vehicles.....	218,066	—	218,066	30,990	20,436	1,580	3,074	4,889	25
Instruments and related products.....	204,370	—	204,370	40,977	20,596	1,403	12,601	5,236	766
Miscellaneous manufacturing products & manufacturing not allocable.....	47,197	—	47,197	11,605	3,571	3,333	2,158	1,226	40
Transportation and public utilities.....	240,916	3	240,919	59,810	23,282	11,617	6,791	3,838	1,962
Communication.....	155,549	3	155,552	17,067	4,423	3,333	788	4,025	1,869
Electric, gas and sanitary services.....	21,456	—	21,456	3,916	1,919	324	10,608	2,636	1,088
Wholesale and retail trade.....	860,091	26,220	886,312	236,370	50,015	6,084	15,830	40,440	3,818
Wholesale trade.....	446,528	26,220	472,748	153,941	26,033	2,573	4,069	21,873	2,615
Groceries and related products.....	320	—	320	248	131	89	115	—	208
Machinery, equipment and supplies.....	29,696	1	29,697	7,710	2,671	69	1,230	1,649	12
Miscellaneous wholesale trade.....	416,512	26,219	442,731	145,983	23,231	2,395	2,825	20,224	2,494
Drugs, chemicals and allied products.....	269,021	—	269,021	106,715	13,118	46	399	12	12
Petroleum and petroleum products.....	126,843	—	126,843	33,907	8,792	1,818	1,782	17,308	2,482
Other miscellaneous wholesale trade.....	413,564	—	413,564	82,429	23,983	3,511	11,760	18,567	1,117
Retail trade.....	120,164	—	120,164	42,327	8,530	1,216	697	11,600	729
Food stores.....	65,705	—	65,705	14,458	10,853	85	2,268	193	—
Apparel and accessory stores.....	4,122	—	4,122	2,265	37	—	—	—	—
Eating and drinking places.....	210,367	—	210,367	20,085	2,404	2,155	6,292	6,773	389
Miscellaneous retail stores.....	13,206	—	13,206	1,638	1,470	17	87	—	19
Finance, insurance and real estate.....	2,718,543	863	2,719,406	1,572,063	95,974	616,461	8,030	761,227	14,810
Banking.....	2,150,630	—	2,150,630	1,324,005	74,747	585,778	4,288	634,561	351
Credit agencies other than banks.....	119,852	—	119,852	64,723	2,958	11,670	2,527	29,556	294
Security, commodity brokers and services.....	45,751	—	45,751	20,515	3,090	3,557	158	8,965	9,639
Insurance.....	285,599	863	286,462	145,250	7,258	15,059	139	82,712	4
Insurance agents, brokers and services.....	47,092	—	47,092	4,462	3,681	43	—	—	1,197
Real estate.....	7,046	—	7,046	4,080	296	(1)	37	2,247	—
Holding & other investment companies except bank holding companies.....	62,575	—	62,575	9,029	3,943	154	764	2,186	136
Services.....	408,606	—	408,606	139,125	13,056	2,463	48,142	49,908	16,942
Hotels and other lodging places.....	72,330	—	72,330	28,247	1,945	183	5,355	16,110	3,741
Personal services.....	35,135	—	35,135	4,205	2,175	68	156	162	1,422
Business services.....	169,295	—	169,295	66,695	6,884	1,417	9,795	31,642	6,572
Auto repair, miscellaneous repair services.....	558	—	558	—	—	—	—	—	—
Amusement and recreational services.....	103,943	—	103,943	36,630	1,536	104	32,262	1,628	716
Other services.....	27,643	—	27,643	8,599	517	265	468	316	2,352

Footnotes at end of table

All Corporation Returns with Foreign Tax Credit

Table 1.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Major Industry—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major and selected minor industries	Foreign income and taxes reported on Form 1118											
	Foreign taxes available for credit—Continued					Foreign tax credit computed					Income taxes of related foreign corporations and IC-DSCs	
	Paid or accrued—Continued		Carryover	Before reduction for international tax credit operations	Reduction for international tax credit operations	After reduction for international tax credit operations	Dividends paid or constructively distributed to domestic corporations	Dividends constructively distributed to corporations	Taxes deemed paid by domestic corporations on constructively received dividends			
	Partnership income	Other income										
(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)			
All industries.....	41,785	1,104,564	14,635,173	5,364,349	22,260,336	727	22,259,609	22,444,065	3,132,133	1,216,183		
Agriculture, forestry and fishing.....	21	67	4,730	10,550	12,641	—	12,641	9,743	978	1,067		
Mining.....	1	257,241	226,611	405,206	618,542	—	618,542	204,698	54,471	76,916		
Metal mining.....	—	1,567	*2,927	*100,774	*47,478	—	*47,478	*356	—	—		
Coal mining.....	—	9,096	—	17	1,790	—	1,790	—	—	—		
Oil and gas extraction.....	1	246,401	222,741	304,224	567,707	—	567,707	203,273	54,061	76,679		
Nonmetallic minerals, except fuels.....	—	77	*943	*191	*1,567	—	*1,567	*1,069	*410	*237		
Construction.....	13,632	621	45,748	24,073	81,715	—	81,715	79,169	6,199	1,554		
General building contractors and operative builders.....	—	787	13,184	20,654	21,033	—	21,033	22,082	3,103	316		
Heavy construction contractors.....	13,632	34	28,497	3,418	55,982	—	55,982	52,040	3,096	1,237		
Special trade contractors.....	—	—	*4,067	*4,700	—	—	*4,700	*5,046	—	—		
Manufacturing.....	18,951	641,382	12,989,791	4,044,541	18,094,634	721	18,093,913	18,424,794	2,346,993	971,349		
Food and kindred products.....	1,159	14,788	560,589	34,182	762,710	116	762,593	834,584	150,601	82,829		
Tobacco manufactures.....	531	1,213	1,181	—	268,650	—	268,650	285,940	104,657	39,417		
Textile mill products.....	18	—	22,825	2,269	29,499	—	29,499	43,352	350	263		
Apparel and other textile products.....	23	(1)	3,019	7	7,401	—	7,401	8,338	4	157		
Lumber and wood products.....	—	—	*32	*41,984	*41,986	—	*41,986	*52,180	*9,234	*3,413		
Furniture and fixtures.....	—	—	4,456	2,712	9,494	—	9,494	10,780	348	143		
Paper and allied products.....	182	4,888	203,248	12,779	275,948	—	275,948	257,982	9,486	3,829		
Printing and publishing.....	4,549	9,344	91,424	16,040	129,943	—	129,943	130,072	6,548	2,720		
Chemicals and allied products.....	6,990	23,527	2,197,589	292,054	3,070,845	212	3,070,633	3,410,322	913,554	390,345		
Petroleum (including integrated) and coal products.....	250	526,018	4,177,618	3,129,161	7,072,410	—	7,072,410	6,158,955	602,584	260,546		
Rubber and miscellaneous plastic products.....	—	5,435	135,964	6,043	135,258	—	135,258	268,767	18,574	4,003		
Leather and leather products.....	—	228	21,349	53	20,899	—	20,899	25,622	8,245	9,517		
Stone, clay and glass products.....	—	777	173,175	35,664	229,526	16	229,510	296,776	8,609	4,073		
Primary metal industries.....	(1)	932	118,854	47,024	119,105	—	119,105	171,013	6,195	2,211		
Fabricated metal products.....	4,458	975	230,512	49,237	302,961	—	302,961	371,606	16,227	7,786		
Machinery, except electrical.....	15	13,615	2,629,754	96,749	3,092,447	11	3,092,436	3,276,634	71,339	26,559		
Electrical and electronic equipment.....	21	39,810	1,024,914	309,884	1,498,155	19	1,498,135	2,345,665	175,953	52,077		
Motor vehicles and equipment.....												

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 2.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Type of Foreign Income for which Separate Credit was Computed

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of foreign income for which separate credit was computed	Number of returns	Total assets	Total receipts	Dividends received from foreign corporations	Dividends received from IC-DISC's or former DISC's	Includable income of controlled foreign corporations	Foreign dividend income resulting from foreign taxes deemed paid (grossed)	Net income (less deficit)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries								
Total	4,409	5,404,718,817	2,437,660,227	21,552,989	325,101	3,941,706	14,835,261	140,430,545
Certain interest income	328	1,281,939,078	924,551,338	12,556,821	169,003	2,673,542	9,870,252	53,305,957
Dividends from an IC-DISC or former DISC	33	136,465,568	116,554,197	1,723,364	113,661	187,005	1,754,091	9,533,858
Foreign trade income of a FSC	*42	*386,942	*1,384,834	—	—	—	—	*53,733
Distributions from a FSC or former FSC	27	241,885,593	145,680,567	3,114,534	91,375	521,520	1,943,126	11,282,812
All other foreign source income	4,208	5,306,964,111	2,422,505,377	21,544,610	324,990	3,939,110	14,634,816	139,147,761
Foreign oil & gas extraction income	30	382,948,008	277,795,674	6,565,707	19,244	1,202,300	4,930,253	22,052,055

Type of foreign income for which separate credit was computed	Income subject to U.S. tax	U.S. income tax before credits		Foreign tax credit claimed	U.S. possessions tax credit	General business credit	Other credits	U.S. income tax after credits
		Total	Regular and alternative tax					
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All industries								
Total	130,506,344	54,661,965	53,347,106	22,259,235	5,054	6,386,239	35,249	25,077,189
Certain interest income	50,663,018	21,969,551	21,444,853	13,654,614	—	1,832,634	33,404	8,248,699
Dividends from an IC-DISC or former DISC	9,127,404	4,019,931	3,944,417	2,106,694	—	410,382	1,992	1,500,864
Foreign trade income of a FSC	*13,738	*24,184	*24,184	267	—	—	—	*23,926
Distributions from a FSC or former FSC	10,698,376	4,666,895	4,561,008	3,331,794	—	391,807	976	942,318
All other foreign source income	128,408,468	54,207,565	52,896,532	22,251,581	5,054	6,302,649	35,249	25,613,022
Foreign oil & gas extraction income	21,588,961	9,422,822	9,229,954	6,519,611	—	291,696	31,399	580,115

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118						Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income
	Gross income (less loss) including branch operations and specially allocable income							
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)		
	(17)	(18)	(19)	(20)	(21)	(22)	(24)	
All industries								
Total	93,530,645	25,789,233	14,635,179	18,670,536	34,435,696	18,093,774	39,118,710	
Certain interest income	1,284,398	430,612	118,994	734,792	—	—	326,138	
Dividends from an IC-DISC or former DISC	114,072	113,412	650	—	—	—	82,178	
Foreign trade income of a FSC	*227,931	—	—	—	*1,227,929	—	*173,764	
Distributions from a FSC or former FSC	329,556	324,897	659	—	—	—	146,725	
All other foreign source income	91,578,688	24,920,312	14,514,867	17,935,743	34,207,766	18,093,774	38,387,905	
Foreign oil & gas extraction income	22,524,989	8,256,908	4,903,428	831,441	6,533,211	18,093,774	7,962,950	

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118							
	Taxable income (less loss)				Foreign taxes available for credit			
	Total	Foreign branch income	Specially allocable income (Section 803 (b))	Other than from branch operations and specially allocable income	Recapture of prior year foreign losses	After loss recapture	Total after reduction	Reduction for certain foreign taxes
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All industries								
Total	65,809,314	9,496,597	1,900,781	54,411,935	176,980	65,632,334	27,407,906	1,059,505
Certain interest income	950,261	—	—	956,261	13,239	943,022	189,828	—
Dividends from an IC-DISC or former DISC	31,893	—	—	31,893	—	31,893	669	—
Foreign trade income of a FSC	*54,167	—	—	*54,167	—	*54,167	267	—
Distributions from a FSC or former FSC	178,831	9,496,597	1,900,781	178,831	—	178,831	782	—
All other foreign source income	64,588,162	9,496,597	1,900,781	53,150,764	163,741	64,424,421	27,216,361	1,059,505
Foreign oil & gas extraction income	12,007,257	4,223,896	41,977	14,562,038	30,320	18,797,591	11,190,083	—

Corporation Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 2.—Total Assets, Income, Taxes and Credits and Foreign Income, Taxes and Credit, by Type of Foreign Income for which Separate Credit was Computed—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118							
	Total before reduction	Foreign taxes available for credit						Deemed paid
		Total	Dividends	Interest	Rents royalties and license fees	Branch income	Other income	
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)
All industries								
Total	28,467,411	8,467,889	2,329,825	756,804	808,655	3,273,582	1,299,019	14,635,173
Certain interest income	189,828	35,459	7,627	27,631	—	—	—	118,994
Dividends from an IC-DISC or former DISC	669	9	—	—	—	—	—	660
Foreign trade income of a FSC	*267	—	—	—	—	—	*267	—
Distributions from a FSC or former FSC	782	122	122	—	—	—	—	659
All other foreign source income	28,275,866	8,432,031	2,321,866	729,173	808,655	3,273,582	1,299,752	14,514,861
Foreign oil & gas extraction income	12,243,157	2,501,164	757,404	19,616	219,978	1,903,935	894,359	3,161,082

Type of foreign income for which separate credit was computed	Foreign income and taxes reported on Form 1118			
	Foreign taxes available for credit—unreduced		Foreign tax credit computed	
	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations	After reduction for international boycott operations
	(41)	(42)	(43)	(44)
All industries				
Total	5,364,349	22,260,336	727	22,259,609
Certain interest income	35,375	128,534	—	—
Dividends from an IC-DISC or former DISC	—	659	—	—
Foreign trade income of a FSC	—	*267	—	—
Distributions from a FSC or former FSC	( <sup>1</sup> )	782	—	—
All other foreign source income	5,328,974	22,130,085	—	—
Foreign oil & gas extraction income	595,512	8,491,184	—	—

<sup>1</sup> The number should be used with caution because of the small number of sample returns on which it was based.

Note: The data in columns 1-16 pertain to the total activity of the domestic parent corporation. Since many corporations compute a foreign tax credit for more than one type of foreign income, the data in these columns are not additive. Data in columns 43 and 44 are reported as corporate totals only. The data in columns 17-21, 23, 26-31, 33, 35-39 and 42 of the foreign oil and gas extraction income line represent the amounts of total all other foreign source income and tax for those corporations reporting foreign oil and gas extraction income and taxes. The data in columns 22, 24, 25, 34, 40 and 41 of the foreign oil and gas extraction income line are the actual foreign oil and gas extraction income and tax amounts. Form 1118 total may not add to totals due to rounding.

# 1986 Corporation Foreign Tax Credit, A Geographic Focus

By Karla M. Daronco\*

In the 1980's for the first time, Canada surpassed the United Kingdom as the country which accounted for more corporate foreign-source U.S. taxable (net) income than any other country (Definitions section). Canadian-source taxable income for 1986 was \$10.5 billion, 16 percent of total foreign-source taxable income. In addition, more of the foreign taxes paid by U.S. corporations (\$4.7 billion) were paid to Canada than to any other country (Definitions section). United Kingdom-source income declined sharply, by 30.6 percent, during the 1984-1986 period.

The foreign tax credit claimed by U.S. corporations increased by nearly 4 percent, from \$21.4 billion for 1984 to \$22.3 billion for 1986; while foreign-source taxable income increased by nearly 8 percent, from \$61.1 billion to \$65.8 billion. Since much of this income was subject to foreign taxation, \$23.1 billion of income taxes (nearly 35 percent of taxable income) were paid to foreign governments. Of the 4,506 active U.S. companies claiming a foreign tax credit for 1986, 764 (17 percent) were "giant" corporations with total assets of \$250 million or more. This small group of companies accounted for nearly all of the foreign tax credit claimed by U.S. corporations [1].

The U.S. economic recovery that started in late 1983 seemed to have continued and may have affected the business operations of U.S. corporations overseas in 1986 [2]. In five of the countries listed, (including countries where U.S. corporations earned at least \$1 billion of foreign-source taxable income for either 1984 or 1986) U.S. corporations showed significant increases in taxable income (Figure A). The largest income increases were registered in Italy, West Germany, Japan, Switzerland and France, the main reason being a noticeable rise in net capital gains income for each country.

Despite the overall increase in foreign-source taxable income from 1984 to 1986, in general, the use of offshore financial centers in the Caribbean and in Central America appeared to have decreased markedly. Taxable income

**Figure A.—Foreign-Source Taxable Income, by Selected Country, 1984 and 1986**  
(Millions of dollars)

Country	1984	1986	Percentage increase
	(1)	(2)	(3)
All countries .....	\$61,097	\$65,809	7.7%
Selected countries, total .....	47,221	49,659	5.2
Italy .....	989	2,651	168.0
West Germany .....	2,323	5,428	133.7
Japan .....	2,884	5,070	96.6
Switzerland .....	860	1,549	80.1
France .....	1,458	2,616	79.4
Canada .....	7,539	10,508	39.4
Brazil .....	1,695	1,977	16.6
Panama .....	819	791	-3.4
Mexico .....	1,146	1,041	-9.2
Netherlands .....	2,588	2,035	-21.4
Australia .....	2,319	1,642	-29.2
Netherlands Antilles .....	1,290	899	-30.3
United Kingdom .....	11,913	8,283	-30.6
Indonesia .....	2,938	1,671	-43.1
Norway .....	3,279	1,791	-45.4
Bahamas .....	2,115	800	-62.2
Egypt .....	1,066	327	-69.3

from the Netherlands Antilles and the Bahamas declined by 30.3 percent and 62.2 percent, respectively. Panama also showed a slight decline of 3.4 percent. These decreases were mostly due to a sizable drop in services income for all three countries.

Foreign-source taxable income of U.S. corporations doing business in countries which were members of the Organization of Petroleum Exporting Countries (OPEC) continued to drop, to \$3.1 billion for 1986, a reduction of almost 41 percent from 1984 (Definitions section). This continued the declining trend of income from OPEC countries (76 percent) through the first half of the 1980's. Taxes paid by U.S. corporations claiming a foreign tax credit to OPEC countries also fell but by less (40 percent) to \$1.7 billion from 1980 to 1986.

## BACKGROUND

U.S. tax law allows corporations a credit against their U.S. income tax for income taxes paid to foreign govern-

\*Foreign Returns Analysis Section. Prepared under the direction of Chris Carson, Chief.

ments. U.S. corporations are taxed on their worldwide taxable income. Therefore, the foreign tax credit serves to eliminate double taxation on foreign-source income, which is typically subject to tax by the country in which it was earned.

The ability of some corporations to offset the U.S. tax on domestic income with the credit for foreign income taxes led to the first limitation on the foreign tax credit in 1921. The credit limitation remains as a fundamental principle of the current U.S. foreign tax credit provisions.

The limitation restricts the amount of credit for foreign income taxes to the lesser of (1) the U.S. tax on foreign-source taxable income, or (2) the actual foreign income taxes paid. This calculation results in a zero limitation (no credit) if a corporation has an overall foreign loss or a worldwide loss. However, credits in excess of the limitation may be carried back two years and forward five years.

For 1986, the limitation was separately calculated for five categories of income: (1) section 904(d) (generally portfolio) interest income, (2) dividends from an Interest Charge Domestic International Sales Corporation (IC-DISC) or former DISC, (3) foreign trade income of a Foreign Sales Corporation (FSC), (4) distributions from a FSC or former FSC, and (5) all other income from sources outside of the United States. (IC-DISC's and FSC's were domestic corporations created to promote U.S. exports).

The total foreign tax credit for 1986 was the sum of the amounts computed, using these five separate limitations. In some instances, the total credit was reduced for participation in, or for cooperation with, international boycotts.

To claim a foreign tax credit, a U.S. corporation must have foreign-source taxable income, pay a foreign income tax, and have a U.S. income tax liability. Only certain taxes can be claimed as a foreign tax credit. They include income taxes imposed by U.S. possessions or the national government of a foreign country, as well as its cities, states, and other subdivisions.

Corporations can deduct all foreign income taxes in lieu of claiming a foreign tax credit for all such taxes. However, most corporations obtain a greater tax benefit by electing to credit these taxes against U.S. income tax. Taxes such as excise, franchise, sales, and certain other taxes, do not qualify as creditable foreign taxes, but can be deducted in calculating worldwide taxable income, even when the foreign tax credit is elected for foreign income taxes.

### GEOGRAPHIC SOURCES OF FOREIGN INCOME AND TAXES

Of the principal countries or areas of origin of 1986 foreign-source taxable income of U.S. corporations with foreign tax credits, (Figure B) those with the highest percentage of the total foreign-source income for 1986 were Canada (16 percent), the United Kingdom (13 percent), Japan (9 percent) and West Germany (8 percent). The largest amounts of current-year foreign taxes were paid to these same four countries (Figure C). The remaining 54 percent of income was widely distributed.

Canada generated the most foreign-source taxable income (\$10.5 billion) for 1986, replacing the 1984 leader, the United Kingdom. Nearly 81 percent (\$8.5 billion) of the Canadian income was accounted for by U.S. manufacturers. Of the foreign taxes paid by U.S. corporations (\$4.7 billion) more were paid to Canada than to any other country.

Almost half (46.4 percent) of the Canadian-source income from manufacturing originated in the petroleum industry (Definitions section) [3]. For 1984, only \$1.1 billion (21.7 percent) of Canadian income was earned by U.S. corporations in the petroleum industry. With the deregulation of Canada's oil industry starting in late 1984 and the general expansion of Canada's economy, almost \$4.0 billion in profits were reaped by U.S. petroleum corporations for 1986 from Canadian operations. This was an increase of nearly 143 percent from 1984 [4]. Petroleum subsidiaries accounted for 48.2 percent of total 1986 foreign taxes paid by U.S. manufacturers in Canada due to the high taxes imposed by Canada on the industry at that time. For 1986, these corporations paid a high average tax rate (over 56 percent) on Canadian income earned by the petroleum industry. This increased percentage reflected Canada's top corporate statutory tax rate of 54 percent for 1986 [5].

Other gains in Canadian-source income were indicated by a 35.4 percent increase over 1984 in financial insurance, and real estate, as well as a 71.4 percent increase in wholesale and retail trade. The increase in financial insurance, and real estate was due mainly to the dismantling of restrictive regulations imposed by prior Canadian governments on the country's financial markets. The advent of free trade talks between the United States and Canada spurred the increases in wholesale and retail trade [6].

By comparison, the U.K.-source income of U.S. corporations declined sharply, by 30.6 percent. This decline

Figure B  
Percentage of Total Foreign-Source Taxable Income, by Country or Area, 1986

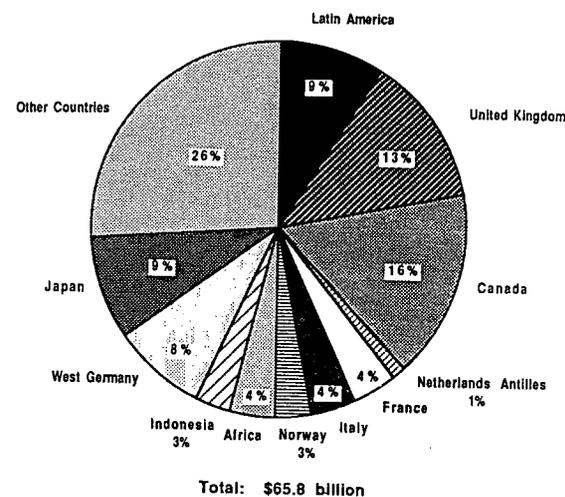
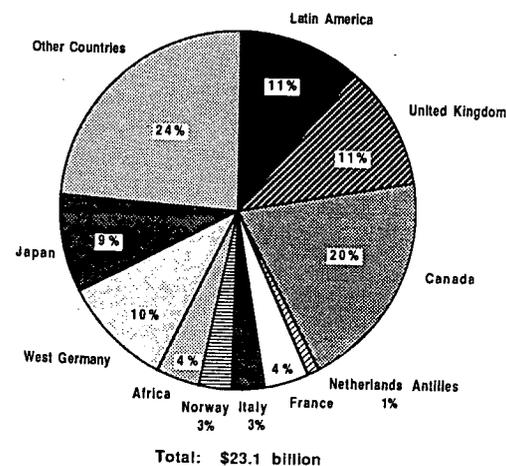


Figure C  
Percentage of Total Current-Year Foreign Taxes, by Country or Area, 1986



was due largely to decreases in manufacturing, especially of petroleum; and in finance, insurance, and real estate, down 26.5 and 41.5 percent, respectively.

### Economic Recovery

The U.S. economic recovery that started in late 1983 seems to have continued and spread to much of the rest of the world by 1986. Less expensive oil, tax cuts, low inflation rates, and wage increases overseas all contributed to the economic recovery [7]. With the fall of the dollar against most major foreign currencies in 1985, foreign stocks became more profitable. This resulted in an astounding 424.8 percent leap (from \$742 million to \$3.9 billion) in net capital gains income between 1984 and 1986 [8]. These gains contributed to large overall foreign income increases registered by Italy (168.0 percent), West Germany (133.7 percent), Japan (96.6 percent), Switzerland (80.1 percent), and France (79.4 percent). U.S. parent companies with operations in these countries saw a currency-exchange windfall when the dollar declined [9].

U.S. oil corporations with operations in the United Kingdom felt the economic crunch caused by less expensive oil in the mid-1980's. A decline in income from the United Kingdom was reported by U.S. manufacturers (almost half of which was accounted for by the 45.0 percent decrease in foreign income earned by the petroleum industry). The fall in oil prices weakened the British pound, which cut into the capital gains U.S. investors could earn on British stocks [10]. U.S. banks suffered a 54.6 percent decrease in U.S.-source foreign income earned from the United Kingdom during the 1984-1986 period.

At the same time, the economies of both West Germany and Japan continued to expand and U.S. corporations earned a combined total of almost \$11.1 billion (nearly 17 percent of the total for all countries) in foreign-source taxable income from these countries for 1986. Approximately 85 percent (\$9.4 billion) of this amount can be attributed to operations of U.S. manufacturers in both countries. Specifically, the boom in West Germany was fed by such consumer-goods industries as electronics, household appliances, and apparel, with the electrical industry's income up 913 percent from 1984 [11]. The West German income of U.S. corporations accounted for 28 percent of the total income of U.S. manufacturers claiming a foreign tax credit. U.S. manufacturers were also responsible for 81 percent of the total U.S. corporate income earned from Japan (\$4.6 billion of the \$5.7 billion total for Japan). Income from food and kindred products

and the electrical manufacturing industry rose, up 160.6 and 133.3 percent, respectively, from 1984.

U.S. corporations benefitted from the European recovery in Italy as well, where foreign-source taxable income increased 168 percent from 1984. Again, due to the sagging dollar against other foreign currencies and low interest rates, and through the sale of Italian corporate stocks, U.S. companies saw net capital gains income increase by an astounding 2,160 percent [12]. Detailed data on the type and amount of income generated in most foreign countries is provided (Table 1).

Despite the continued economic recovery, U.S. corporations doing business in OPEC countries and in the principal North Sea oil nations (the United Kingdom and Norway) saw foreign-source taxable income and current-year foreign taxes further decline during the 1984-1986 period. Foreign-source taxable income and foreign taxes for OPEC countries decreased almost by half (Figure D). OPEC countries also show a disproportionately high percentage of the total foreign taxes for both years, which can be attributed to the high foreign tax rates on oil income. Data for North Sea oil-producing countries reflect the severe drop in oil prices in 1986 and their effect on foreign-source income and taxes. Foreign income of U.S. companies with operations in Norway was reduced by 45.4 percent, mostly due to falling oil prices. Similarly, U.S. oil companies with British operations had a decline of 30.6 percent in their total foreign taxable income between 1984 and 1986.

Figure D.—Foreign-Source Taxable Income and Current-Year Foreign Taxes, by Selected Oil-Producing Area, 1984 and 1986

Country	1984		1986	
	Income (1)	Tax (2)	Income (3)	Tax (4)
Total .....	\$61,097	\$22,540	\$65,809	\$22,109
OPEC countries .....	5,320	2,784	3,150	1,670
Norway plus United Kingdom .....	15,192	6,359	10,054	3,329
Percentage of total:				
Total .....	100.0%	100.0%	100.0%	100.0%
OPEC countries .....	8.7	12.4	4.8	7.6
Norway plus United Kingdom .....	24.9	28.2	15.3	15.1

### Type of Income by Country

The type of foreign gross income (excluding income from foreign branch operations) U.S. corporations received varied considerably by country (income

detail is not available for branch income) (Figure E). Certain country trends are noted:

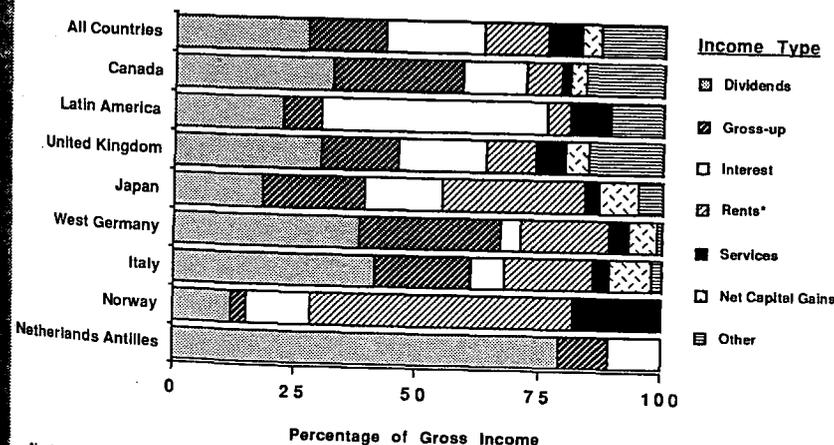
- most U.S. investment in Canada, West Germany, and Italy was in corporate stock, as evidenced by the fact that the majority of income was dividends and the associated tax on dividends (dividend gross-up - Definitions section);
- the United Kingdom, the second largest source of non-branch gross income, had a distribution of income similar to that for "all countries";
- almost all income from the Netherlands Antilles was dividends;
- over half of the gross income from Norway was made up of rents, royalties, and licensing fees, virtually all from the petroleum industry; and
- for Japan and Norway, there is a relatively low percentage (18 and 12 percent, respectively) of dividend income as compared to the other major industrialized nations included in the chart.

### Average Foreign Tax Rates

Because foreign tax rates vary considerably by country

Type of income generalizations can be made for geographic areas as well as for specific countries. Interest represented a higher proportion of income from Latin America (46 percent of the total) than from countries in general (20 percent). This shows the considerable debt burden of industrializing Latin American countries. In addition, almost 72 percent of the total taxes paid or accrued on interest were paid by U.S. corporations to Latin America. Rents, royalties, and licensing fees were less likely than average to be received from Latin America (5 percent of total gross income as compared to an overall percentage of 13 percent). This was also the case with other less-industrialized areas, such as Africa (4 percent). No dividend income was received from any Eastern European Soviet-bloc country because only a handful of companies incorporated in these countries were owned even partially by U.S. corporations [13]. Over half of the gross income from these countries was interest (63 percent) while a quarter was from rents, royalties, and licensing fees.

Figure E  
Percentage of Non-Branch Gross Income, by Income Type, by Selected Country or Area, 1986



(and by type of income within countries), the 1986 average foreign tax rates of countries ranged from roughly 64 percent down to almost 4 percent (Figure F). (The average foreign tax rate is the ratio of current-year foreign taxes to foreign-source taxable income expressed as a percentage. The average U.S. tax is the ratio of U.S. income tax liability to the U.S. income subject to tax after all credits except the foreign tax credit.) Thirteen of the 23 countries shown fall within 10 percentage points above or below the all country average. For "all countries," the average foreign rate of 35 percent was considerably less than the 46 percent U.S. corporate statutory rate for 1986.

Most of the countries with the highest average tax rates were oil-producing nations. Among the reasons for the relatively high average foreign tax rates were: (1) extraordinary or "supplemental" oil taxes that were payable in addition to the normal corporate income tax (i.e., Trinidad and Tobago, and Norway), (2) relatively high income tax rates that applied to oil companies only (i.e., Nigeria) and (3) taxable income bases that were larger under foreign tax law than under U.S. tax law (i.e., depreciation methods under some foreign tax laws are less favorable than under U.S. tax law) [14].

Brazil and Spain were the only countries that were not major oil-producing nations with an average foreign tax

rate above 50 percent. Brazil's rate was 62 percent, chiefly because interest from Brazil (nearly 52 percent of non-branch gross income) was generally subject to 25-percent withholding tax on the gross amount. The deductions attributable to this income reduced taxable income (on which the average tax rate is based), and thereby increased the average rate. Spain's rate was 56 percent because U.S. corporations deriving dividends from Spanish subsidiaries were generally subject to a withholding tax on the dividends in addition to the standard Spanish corporate rate of 35 percent [15].

### Organizational Structure of Foreign Operations

There are several different organizational structures available to U.S. corporations seeking to expand their market or business activities abroad. Most corporations wanting to establish a permanent presence overseas elect to do so by using an unincorporated foreign branch operation, investing in an existing foreign corporation, or forming a subsidiary under the laws of the foreign country. Some business activities, i.e., certain loans and exports, can also be transacted without a substantial foreign presence.

Foreign branch taxable income is shown as a percentage of total foreign-source taxable income by country

Figure F.—Current-Year Foreign Taxes and Foreign Branch Taxable Income as Percentages of Foreign-Source Taxable Income, by Selected Country, 1986

(Millions of dollars)

Country	Current-year foreign taxes as a percentage of foreign-source taxable income			Foreign-source taxable income	Foreign branch taxable income as a percentage of foreign-source taxable income		
	Rank	Percent	Taxes		Rank	Percent	Foreign branch taxable income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All countries.....	—	35.1%	\$23,103	\$65,809	—	14.4%	\$9,487
Saudi Arabia.....	1	64.1	143	223	(1)	(1)	-75
Trinidad and Tobago.....	2	62.8	145	231	(1)	(1)	-18
Brazil.....	3	62.2	1,229	1,977	8	17.3	342
Spain.....	4	57.6	297	516	7	20.3	105
Indonesia.....	5	56.1	938	1,671	4	49.0	819
Egypt.....	6	52.6	172	327	(1)	(1)	-17
Mexico.....	7	52.4	545	1,041	11	9.8	102
Nigeria.....	8	45.0	260	578	3	55.5	321
Canada.....	9	44.3	4,659	10,508	16	4.9	516
Norway.....	10	43.4	778	1,791	1	64.4	1,153
West Germany.....	11	41.3	2,244	5,428	18	3.1	168
Australia.....	12	40.7	669	1,642	6	30.9	507
Venezuela.....	13	39.4	86	218	15	6.0	13
Japan.....	14	36.5	2,071	5,670	14	6.5	368
Switzerland.....	15	33.4	518	1,549	(1)	(1)	-63
Libya.....	16	31.2	25	80	2	56.2	32
France.....	17	31.0	811	2,616	9	12.3	227
United Kingdom.....	18	30.9	2,552	8,263	10	11.1	671
Netherlands.....	19	30.6	622	2,035	12	8.4	171
Italy.....	20	29.0	769	2,651	13	8.0	214
Panama.....	21	22.1	175	791	19	1.8	30
Netherlands Antilles.....	22	17.0	153	899	17	3.3	57
Bahamas.....	23	3.6	29	800	5	44.6	357

<sup>1</sup> Not calculated due to foreign branch loss

(Figure F). Branch taxable income as a percentage of all foreign taxable income fell from 24 percent for 1984 to about 14 percent for 1986. Generally, the petroleum and banking industries are more likely than any other industries to operate through the establishment of foreign overseas branches. This is evident in those countries with the highest proportion of income from foreign branches, all of them either oil-producing nations or an offshore financial center; namely, Norway (64 percent), Libya (56 percent), Nigeria (56 percent), Indonesia (49 percent), and the Bahamas (45 percent).

### SUMMARY

The foreign tax credit claimed by U.S. corporations increased only 4 percent from \$21.4 billion for 1984 to \$22.3 billion for 1986. Foreign-source U.S. taxable income from all countries increased by nearly 8 percent, from \$61.1 billion to \$65.8 billion. Almost 35 percent of foreign-source income was paid as taxes to foreign governments (\$23.1 billion), although not all of it could be claimed as a foreign tax credit for 1986.

U.S. corporations earned more foreign-source taxable income (\$10.5 billion) in Canada than in any other nation. Accordingly, these corporations paid most of their foreign taxes (\$4.7 billion) to Canada. This was the first time in the 1980's any country had surpassed the United Kingdom as the country from which U.S. companies earned the most income.

Strong U.S. activity was registered in Italy, West Germany, France, Switzerland and Japan. Declining energy prices, low inflation, and a weak dollar enabled U.S. companies to reap big capital gains overseas. The big losers were U.S. corporations (primarily oil companies) with activities in countries that were members of OPEC and in the principal North Sea oil-producing nations (the United Kingdom and Norway), whose economies suffered due to lower oil prices.

Generally, the type of non-branch foreign income U.S. corporations received varied by country. A substantial portion of U.S. investment abroad was in corporate stock with over 40 percent of foreign gross income (of \$93.5 billion) composed of dividends (\$25.8 billion) and the foreign taxes paid on them, the so-called dividend gross-up (\$14.6 billion).

### DATA SOURCES AND LIMITATIONS

#### Sample Selection and Variability

The statistics presented in this article for the 1986 Tax

Year were estimated from a stratified probability sample of approximately 85,100 corporate income tax returns selected after revenue processing, but before audit. The accounting periods of corporations with a foreign tax credit included in the data were those ending between July 1986 and June 1987, although most of the activities reported reflected activities in Calendar Year 1986.

While all returns in the Statistics of Income sample with a foreign tax credit were used for the 1986 data, some differences exist between the 1986 foreign tax credit data presented here and those previously published in *Statistics of Income—1986, Corporation Income Tax Returns*. These differences are the result of the different weighting methods used for returns sampled at less than the 100-percent rate. In addition, the statistics presented herein include certain returns with foreign tax credits prescribed for inclusion in the 100-percent sample class. These returns were received too late to be included in the regular corporate statistics and no adjustment for them was made for the overall corporate statistics.

Sampling variability arises only in strata in which returns were prescribed for selection at a rate of less than 100 percent. For this article, returns selected at the 100-percent rate accounted for the largest part of the estimated amounts. For example, for 1986, those corporations with \$250 million or more in total assets (which were selected at the 100-percent rate) accounted for a major portion of the total assets (98.3 percent), foreign tax credit claimed (95.6 percent), and foreign-source taxable income (95.1 percent) of all corporations claiming a foreign tax credit. Because of the predominance of these large corporations, sampling variability is not considered a major limitation of the statistics.

### General Limitations

The foreign tax credit is claimed under section 901 of the Internal Revenue Code. Corporations claiming a foreign tax credit generally provide supporting foreign income and tax data on Form 1118, Computation of Foreign Tax Credit - Corporations, attached to their U.S. corporation income tax return. Form 1118 is the source of the foreign income and tax data for this article. The statistics do not reflect any adjustments that were made during audit examination, which finally determines the acceptability of the foreign income and taxes reported. Nor do they reflect foreign tax carrybacks which also determine the final credit. Also, some corporations provide only preliminary foreign income and tax data with their U.S. tax returns as filed because not all the informa-

tion about their foreign operations is available at the time their U.S. income tax returns are filed.

Foreign income and taxes are underreported in this article to the extent that data were not provided on Form 1118. Some corporations with foreign income and taxes operated at a deficit and had no U.S. tax liability against which a foreign tax credit could be claimed and were, therefore, not required to file the Form 1118. Some corporations may have chosen to deduct their foreign taxes from gross income rather than credit them against their U.S. tax liability. For these particular returns, it is believed that the foreign income and tax amounts were insignificant. In both instances, these returns were excluded from this study.

#### DEFINITIONS

The term "country" as used in this article includes not only countries, but also other separate taxation authorities, such as Puerto Rico and U.S. possessions. For certain tables and figures, data for these taxation authorities are presented together with data by country.

*Foreign taxes* (unless otherwise stated) refers to current-year foreign taxes, which are withholding taxes on dividends, interest, rents, royalties and license fees, as well as taxes directly paid or accrued on partnership, services or other income or on foreign branch profits. It also includes taxes deemed paid, which are a proportion of the taxes paid on the profits of a foreign corporation (including all levels of subsidiaries) out of which the dividends to the U.S. corporation were paid.

*The Organization of Petroleum Exporting Countries (OPEC)* is an oil cartel which includes Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.

*Petroleum industry* (unless otherwise stated) refers to the integrated petroleum industry, i.e., all corporations primarily engaged in extraction, refining, and marketing of crude petroleum.

*Dividend gross-up* is income associated with dividends received or constructively received from a controlled foreign corporation and is equivalent to the tax deemed paid.

#### NOTES AND REFERENCES

- [1] There were 3,428,515 corporation income tax returns filed for Tax Year 1986.
- [2] "Eurogloom' Fades as the Recovery Takes Hold," *Business Week*, May 14, 1984, p. 54.

- [3] Data pertaining to income and tax amounts classified by both industry and country are available from the Statistics of Income Division but were not published with this article due to the voluminous nature of the statistics.
- [4] Finn, Edwin A., Jr. and Morais, Richard C., "Good Neighbors Again," *Forbes*, May 19, 1986, p. 130.
- [5] Templeman, John, et al., "Europe and Japan are Catching Tax-Reform Fever," *Business Week*, September 1, 1986, p. 65.
- [6] *Ibid.*
- [7] Templeman, John, et al., "Europe's Businessmen Are All Speaking the Same Language: Boom," *Business Week*, May 5, 1986, pp. 42-43.
- [8] See Redmiles, Lissa, "Corporation Foreign Tax Credit, 1986: An Industry Focus," *Statistics of Income Bulletin*, Fall 1990, Vol. 10, No. 2.
- [9] Pearson, John, "Strong Dollar or No, There's Money to be Made Abroad," *Business Week*, March 22, 1985, p. 155.
- [10] Templeman, John, et al., "Now West Germany's Economy is Carrying the Ball," *Business Week*, January 20, 1986, pp. 40-41.
- [11] Templeman, "Europe's Businessmen..." *ibid.*, p. 42.
- [12] Templeman, John, et al., "Cheaper Money is Pouring into European Industry," *Business Week*, March 11, 1986, p. 63.
- [13] See *Statistics of Income Bulletin*, Spring 1990, Vol. 9, No. 4, for an article on Controlled Foreign Corporations by country or geographic area. Data for 1986 will be included in a future issue of the *Bulletin*.
- [14] For additional information on the tax laws of foreign countries, see *Corporate Taxes, A Worldwide Summary*, Price Waterhouse, 1985.
- [15] *Ibid.*

#### EXPLANATORY TABLE NOTES

The data for the following tables are tabulated from Forms 1120 and 1118 (Data Sources and Limitations

For Table 1, the rows are the specific geographic area or country to which foreign income and taxes were paid (see the definition of "country" in the definition section above). Columns 3 through 13 reveal income and taxes from all sources while columns 14 through 58 represent income and taxes from specific geographic areas or countries.

Columns 1 through 13 are amounts reported on the Corporation Tax Return Form 1120 while the remaining columns are amounts reported on the Form 1118. The data by geographic areas for columns 1 through 13 are not additive to the all geographic areas total. The data in columns 14 through 58 are amounts for the specific country. However, the data by geographic area for columns 14 through 58 are additive to the all geographic areas total. Data for specific geographic areas are not always additive as data are present for only selected countries.

Columns 15 through 22 contain gross income excluding branch operations and specially allocable income (less loss) and sum to column 14. Foreign oil and gas extraction gross income appears in columns 24 through 28 and sum to column 23. These amounts are also included in the foreign gross income in columns 14 through 22.

Columns 29 through 38 contain deductions other than from branch operations and specially allocable income. They are divided into; allocable deductions, columns 30 through 34; and not directly allocable deductions, columns 35 through 38. Columns 30 and 35 are the totals,

respectively, and sum to column 29. Columns 39 through 41 are the deductions from oil and gas extraction income and are included in columns 29 through 38.

Columns 42 through 45 reveal taxable income before loss recapture which includes foreign branch income (column 43), specially allocable income or Section 863(B) (column 44), and foreign income other than from branch operations and specially allocable income (column 45). Column 42, the total foreign-source taxable income also equals column 14 minus column 29 plus columns 43 and 44.

Columns 46 through 55 contain foreign taxes paid or accrued and deemed paid before reduction for international boycott operations. Total foreign taxes paid or accrued are divided into taxes withheld at source on dividends (column 48), interest (column 49), and rents, royalties, and licensing fees (column 50), as well as, taxes paid or accrued on branch income (column 51), service income (column 52), partnership income (column 53), and other income (column 54), all of which sum to column 47. Deemed paid foreign taxes are included in column 55. In some instances, small amounts of taxes were attributed to the country of incorporation of a foreign subsidiary rather than the actual country of taxation. Columns 47 and 55 sum to column 46 which is total foreign taxes.

Columns 56 through 58 represent income and taxes of related foreign corporations.

NOTE: Columns and rows may not sum exactly due to rounding.

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Table with columns: Country and FSC dividends, Number returns, Total assets, Net income (less deficit), Income subject to U.S. tax, Returnable and regular U.S. tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources before net operating loss recapture, Foreign taxes accrued, Foreign taxes deemed paid, Reduction to foreign tax credit. Rows include All geographic areas, total; Canada; Latin America, total; Caribbean countries, total; South America, total; Other Western Hemisphere, total; Africa, total; Asia, total; Oceania, total; FSC dividends; and OEC-CDs, total.

Footnotes at end of table.

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Table with columns: Country and FSC dividends, Income and taxes from all sources, Income and taxes from specific geographic area or country, Foreign tax credit computed, Gross income excluding branch operations and specially allocable income (less loss), Total, Dividends, Dividend gross-up, Interest, Rents, royalties and license fees, Service income. Rows include All geographic areas, total; Latin America, total; Caribbean countries, total; South America, total; Other Western Hemisphere, total; Africa, total; Asia, total; Oceania, total; FSC dividends; and OEC-CDs, total.

Footnotes at end of table.

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued						
	Gross income excluding branch operations and specially allocable income (less loss)—Continued			Oil and gas extraction gross income (less loss)			
	Net capital gain	Partnership income	Other income	Total	From extraction of oil or gas	From sale of business assets	Dividends from foreign corporations
(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
All geographic areas, total.....	3,900,444	120,416	12,140,747	18,093,774	10,909,143	237,186	6,827,128
Canada.....	435,120	8,288	3,160,811	3,162,214	630,588	499	2,511,575
Latin America, total.....	30,051	28,682	1,209,803	1,071,883	919,239	—	148,644
Mexico.....	—	—	15,711	9,409	49	—	249
Central America, total.....	350	1,078	57,871	7,073	—	193	20
Costa Rica.....	727	—	8,225	212	—	—	—
Guatemala.....	—	—	20,464	9,196	—	—	249
Honduras.....	—	1,078	20,464	9,196	—	—	120,357
Paraguay (including Canal Zone).....	20,406	10	487,509	628,304	507,947	—	—
Caribbean countries, total.....	—	—	—	—	—	—	—
Cuba.....	—	—	—	—	—	—	—
Dominican Republic.....	341	—	463,711	628,304	507,947	—	—
Trinidad and Tobago.....	13,439	32,079	499,511	411,242	—	—	—
South America, total.....	2,780	119	184,818	183,383	—	—	—
Argentina.....	8,730	5,611	73,250	57	—	—	—
Brazil.....	294	2,547	47,721	178,906	153,233	—	—
Chile.....	—	4	23,855	73,043	—	—	—
Colombia.....	907	3,107	54,924	94,924	—	—	—
Ecuador.....	—	—	2,682,050	—	—	—	—
Peru.....	327	20,831	—	23,560	—	—	—
Venezuela.....	—	—	—	23,517	—	—	—
Other Western Hemisphere, total.....	—	—	—	23,517	—	—	—
The Bahamas.....	311	—	—	3,752,421	—	—	—
Nonferrous Antilles.....	—	—	—	1,472,874	—	—	—
Europe, total.....	1,805,811	33,896	3,456,378	7,075,840	3,752,421	—	—
Common Market countries, total.....	1,698,238	38,054	2,682,050	4,733,408	1,472,874	—	—
Belgium.....	290,816	13,154	150,021	9,909	—	—	—
France (including Andorra).....	1,521	647	15,939	—	—	—	—
Greece.....	1,293	308	51,724	33	—	—	—
Ireland.....	295,021	368	7,227	—	—	—	—
Italy (including San Marino).....	199	1,836	517,817	784,176	332,918	—	—
Luxembourg.....	29,075	988	22,321	60,421	—	—	—
Netherlands.....	33,654	7,459	1,848,085	3,420,040	999,987	—	—
Spain.....	569,323	7,459	81,758	363,062	—	—	—
United Kingdom.....	377,555	12,072	2,341,807	2,279,222	—	—	—
West Germany.....	323	—	1,272	69,269	—	—	—
Other West European countries, total.....	48,331	—	14,073	—	—	—	—
Austria.....	677	—	232,598	2,273,363	—	—	—
Finland.....	3,075	—	20,454	—	—	—	—
Norway.....	11,230	4,406	2,549	5,848	—	—	—
Sweden.....	40,362	—	3,149	324	—	—	—
Switzerland.....	323	—	6,353	—	—	—	—
Turkey.....	678	—	2,747,743	2,282,325	248,161	—	—
East European countries, total.....	538,861	150	1,211,781	734,915	—	—	—
Africa, total.....	10,318	—	902,696	729,072	—	—	—
North Africa, total.....	—	—	694,174	679,408	—	—	—
Egypt.....	—	—	1,022,599	52,407	—	—	—
Libya.....	—	—	21,587	700	—	—	—
East Africa, total.....	24,488	1,946	275,830	2,017,972	1,556,711	—	—
West and Central African countries, total.....	485,355	1,880	602,311	14,416,476	12,888	—	—
Gabon.....	1	—	40,696	—	—	—	—
Nigeria.....	250	—	11,084	—	—	—	—
Zaire.....	30,805	1,269	15,654	—	—	—	—
Southern Africa, total.....	30,236	1,269	—	—	—	—	—
South Africa (includes Namibia).....	548	—	—	—	—	—	—
Zimbabwe.....	854,850	40,894	1,789,158	2,758,853	2,015,485	—	—
Asia, total.....	310,553	28,785	962,311	984,902	43	—	—
Middle East, total.....	11	—	9,008	—	—	—	—
Iran.....	26,801	197	213,450	213,450	—	—	—
Israel.....	—	—	223,072	6,487	—	—	—
Kuwait.....	—	—	3,367	—	—	—	—
Other Middle East.....	16,206	25,928	258,809	236,229	—	—	—
Asia, total.....	78	253	186,046	525,225	535,182	—	—
United Arab Emirates.....	4,330	2,179	321,848	1,025,163	—	—	—
Southern and Southeastern Asia, total.....	1,859	303	5,597	—	—	—	—
India.....	—	—	1,261,494	628,976	—	—	—
Indonesia.....	—	—	393,037	378,926	—	—	—
Malaysia.....	—	—	11,723	2,325	—	—	—
Philippines.....	—	—	86,167	—	—	—	—
Singapore.....	—	—	7,083	—	—	—	—
Thailand.....	—	—	555,449	5,420	—	—	—
Other Southeastern Asia, total.....	—	—	—	—	—	—	—
China.....	—	—	26,983	—	—	—	—
Hong Kong.....	—	—	58,121	—	—	—	—
Japan (Okinawa, Ryukyu).....	580,458	9,819	396,485	—	—	—	—
South Korea.....	—	—	43,687	—	—	—	—
Taiwan.....	—	—	—	—	—	—	—
Oceania, total.....	120,942	3,489	274,918	1,254,462	—	—	—
Australia.....	106,825	3,237	266,715	2,254,623	—	—	—
New Zealand.....	12,537	—	8,185	—	—	—	—
Puerto Rico and U.S. Possessions, total.....	17,321	689	1,063,028	107	—	—	—
Puerto Rico.....	2,883	—	1,024,642	—	—	—	—
U.S. Possessions, total.....	14,537	1,364	58,394	—	—	—	—
Country not stated (IC-DISC dividends).....	63,271	—	1,038,544	1,918	—	—	—
FSC dividends.....	—	—	—	—	—	—	—
OPEC countries, total (included above).....	16,849	50,335	1,400,305	3,069,247	2,148,781	—	—

Footnotes at end of table.

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued									
	Deductions other than from branch operations and specially allocable income									
	Deductions allocable to specific types of income					Deductions not allocable to specific types of income				
Total	Rental, royalty, and licensing expenses	Depreciation, depletion and amortization	Other	Service expenses	Other deductions	Total	Research and development	Interest	General and administrative	Total
All geographic areas, total.....	39,118,710	23,757,954	318,003	973,831	2,877,092	19,588,937	15,360,766	83,188	5,307,304	1,628,676
Canada.....	4,860,850	2,207,358	18	49,947	17,988	7,848	233,847	7,848	5,307,304	1,628,676
Latin America, total.....	6,790,715	3,807,388	18	49,947	17,988	1,282,741	1,282,741	—	1,282,741	1,282,741
Mexico.....	6,990,040	3,812,812	—	—	—	380,988	2,535,819	3,788,540	12,016	177,892
Central America, total.....	1,606,580	491,965	26,650	27,462	73,101	362,553	1,114,814	1,002	1,114,814	1,002
Costa Rica.....	45,812	552,947	51	1,699	3,194	548,003	1,278	1,278	1,278	1,278
Guatemala.....	14,972	10,025	2	81	49	35,629	10,140	12	59,659	23,733
Honduras.....	246,251	242,807	13	87	158	487,837	125	13	4,086	38,331
Paraguay (including Canal Zone).....	358,239	242,807	13	87	158	487,837	125	13	1,804	1,276
Caribbean countries, total.....	965,629	728,827	12,175	1,413	1,478	244,323	111,005	518	7,938	1,838
Cuba.....	267,344	247,234	23	1,430	2,306	480,990	238,802	3,761	81,801	15,222
Dominican Republic.....	267,344	82,647	158	243	1,478	78,677	185,237	3,661	77,414	11,078
Trinidad and Tobago.....	392,842	374,575	394	111	1,521	18,368	9,565	32	1,566	1,326
South America, total.....	3,981,759	2,428,876	29,885	13,206	11,283	381,389	18,267	2,679	1,326	1,326
Argentina.....	1,512,429	318,366	517	2,345	21,309	218,705	5,970	849,739	177,709	177,709
Brazil.....	228,720	166,987	450	913	4,703	60,105	4,208	339,165	35,122	35,122
Colombia.....	191,242	61,851	32	725	1,250	296,954	1,194,060	4,335	422,533	82,536
Ecuador.....	195,906	177,422	1,883	965	13,835	161,139	129,391	289	63,324	11,614
Peru.....	93,828	54,630	27,031	466	777	155,706	28,919	38	22,788	10,616
Venezuela.....	148,143	132,958	76	2,876	18,588	26,561	38,998	82	15,028	6,228
Other Western Hemisphere, total.....	1,488,143	1,329,588	10,387	7,189	17,170	477,384	982,033	3,149	101,044	24,225
The Bahamas.....	506,111	506,111	—	—	—	—	—	—	—	—
The Bahamas.....	51,226	91,983	—	—	—	—	—	—	400,853	76,589
Europe, total.....	408,248	143,053	1,874	4,237	2,870	217,054	265,195	3,024	36,582	32,556
Common Market countries, total.....	12,511,998	6,937,020	114,550	638,727	1,034,935	6,838,708	4,184,978	42,826	1,081,845	788,217
Belgium.....	6,842,244	3,228,152	39,584	336,235	509,466	5,342,857	3,414,022	42,826	1,081,845	788,217
France (including Andorra).....	672,145	440,352	1,100	7,450	56,207	56,207	3,147,022	42,826	51,684	16,222
Greece.....	1,108,883	717,852	6,617	81,342	21,068	410,784	231,793	6,238	59,994	67,810
Ireland.....	691,409	27,660	64	1,463	6,142	19,971	389,031	6,171	87,794	98,812
Luxembourg.....	691,409	466,261	1,134	834	2,403	32,287	31,250	6,276	19,395	476
Netherlands.....	47,411	11,236	5,565	69,298	22,482	394,562				

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued					
	Deductions from end gas extraction income		Taxable income (less loss) before tax reduction			
	Total	Allocable to specific types of income	Not allocable to specific types of income	Total	Foreign branch income	Specialty allocable income (Section 853(b))
(36)	(40)	(41)	(42)	(43)	(44)	(45)
All geographic areas, total	6,688,517	6,011,916	74,801	65,809,597	1,800,781	64,411,835
Canada	440,184	438,536	1,628	515,851	604,332	9,288,147
Latin America, total	730,473	726,189	2,294	1,077,113	79,035	4,897,235
Mexico	6,600	4,423	2,176	1,040,659	102,076	36,587
Central America, total	—	—	—	837,521	47,355	901,744
Costa Rica	—	—	—	685	1,406	28,527
Guatemala	4,423	4,423	—	11,572	253	17,332
Honduras	(1)	(1)	—	40,589	4,709	49,546
Panama (including Canal Zone)	2,176	—	2,176	220,827	1,068	775,816
Caribbean countries, total	392,351	392,351	—	1,371,189	2,211	589,871
Cayman Islands (British)	4	—	(1)	394,369	2,715	261,933
Dominican Republic	—	—	—	48,711	—	25,222
Trinidad and Tobago	392,295	392,295	—	17,550	1,040	247,348
South America, total	331,512	331,404	108	3,193,185	37,245	2,566,353
Argentina	94,997	94,997	(1)	1,071,202	1,392	4,107,544
Brazil	568	568	—	157,658	1,262	1,618,390
Chile	152,748	152,641	105	133,755	2,635	1,954,558
Colombia	71,385	71,383	2	66,010	10,497	54,132
Ecuador	6,508	6,508	—	44,859	1,386	35,966
Peru	5,226	5,226	(1)	217,690	1,741	1,954,919
Venezuela	8,887	8,832	1,254	2,348,984	379,384	7,481
Other Western Hemisphere, total	1,800	1,800	—	79,971	357,382	1,968,418
The Bahamas	8,087	8,087	—	996,565	172	869,013
Netherlands Antilles	1,800	1,800	—	79,971	—	—
Europe, total	1,873,482	1,816,181	56,301	29,137,182	3,810,223	24,857,283
Common Market countries, total	808,234	785,809	42,325	20,497,724	2,629,382	21,495,178
Belgium	4,554	4,551	3	2,070,346	373,154	2,619,722
France (including Andorra)	431	431	—	2,816,398	26,731	2,537,383
Greece	3,202	3,202	—	110,010	2,638	17,576
Ireland	—	—	—	37,706	2,638	23,670
Italy (including San Marino)	—	—	—	211,185	23,670	106,388
Luxembourg	—	74,650	16,325	34,965	1,182	40,404
Netherlands	90,975	71,983	34	1,194,883	151,715	5,197,106
Spain	453,796	453,796	—	9,262,828	62,759	2,293,317
United Kingdom	1,063,150	1,047,174	15,976	4,569,467	53,170	13,616,777
West Germany	22	22	—	453,619	16,187	186,187
Other West European countries, total	1,091,434	1,035,468	55,966	167,445	918	636,896
Austria	—	—	—	1,791,163	1,563	1,563
Finland	—	—	—	423,410	9,696	7,027
Norway	—	—	—	1,548,905	—	—
Sweden	—	—	—	65,132	56,641	440
Switzerland	—	—	—	56,540	1,800	1,800
Turkey	—	—	—	1,097,882	450,655	10,341
East European countries, total	762,292	791,325	1,877	2,745,252	828,959	10,341
Africa, total	462,876	462,876	906	476,678	1,870	34,517
North Africa, total	406,110	406,110	—	326,507	1,711	34,392
Egypt	12,852	11,968	884	78,731	187	49,641
Libya	14,851	14,851	—	62,291	1,899	894,043
East Africa, total	314,210	313,239	971	1,565,479	669,737	—
West and Central African countries, total	30,986	30,986	—	577,634	321,141	1,380
Cabon	71,352	71,353	—	12,298	3	3
Nigeria	32,226	265	29	630,905	7,692	50,997
Zaire	265	144	—	604,020	6,944	2,620
Southern Africa, total	144	144	—	16,327	89	8,200,580
South Africa (includes Namibia)	29	29	—	16,327	89	200,067
Zimbabwe	1,211,033	1,201,860	9,172	10,333,630	1,952,983	677,884
Asia, total	540,828	533,474	7,054	767,093	80,461	32,504
Middle East, total	2,959	2,959	—	1,870	7,769	17,224
Iran	—	—	—	10,341	159	10,791
Israel	213,494	213,494	—	30,855	19,905	292,885
Kuwait	1,418	1,418	—	—	—	—
Oman	29,791	29,790	(1)	—	—	—
Saudi Arabia	242,444	242,444	—	222,740	—	—
United Arab Emirates	633,852	633,852	—	212,395	1,984,644	1,536,479
Southern and Southeastern Asia, total	389,890	389,890	—	97,567	1,478	39,992
India	1,457	1,457	—	1,871,473	2,499	65,986
Indonesia	372,306	372,306	—	315,962	226,271	175,321
Malaysia	246,956	246,956	—	43,178	3,233	1,233
Philippines	3,154	3,154	—	189,801	27,487	85,406
Singapore	1,699	1,699	—	197,343	50,948	5,850,084
Thailand	2,439	2,439	—	6,676,778	469,911	155,915
Eastern Asia, total	34,533	34,533	(1)	23,430	31,613	37,028
China	25,396	25,396	—	197,424	14,245	1,817,397
Hong Kong	—	8,940	(1)	5,669,802	966,271	1,201,148
Japan (includes Ryukyu)	133	54	(1)	288,295	89,598	1,817,397
South Korea	—	—	—	226,321	29,170	10,648
Taiwan	133	133	—	1,801,435	61,112	38,179
Oceania, total	968,688	968,688	37	1,641,862	506,955	1,641,862
Australia	3,292	3,292	—	160,321	167,724	187,806
New Zealand	965,186	965,099	37	1,481,541	127,021	1,481,541
Puerto Rico and U.S. Possessions, total	47,027	47,027	—	125,181	37,780	181,600
Puerto Rico	47,027	47,027	—	125,181	37,780	181,600
U.S. Possessions, total	12,553	12,503	48	2,082,669	256,560	309,819
Country not stated	—	—	—	31,893	—	1,780,911
IC-DISC dividends	—	—	—	—	—	—
FSC dividends	—	1,043,607	10,358	3,150,479	1,340,623	16,853

RETURNS WITH FORM 1118 FILED IN SUPPORT OF FOREIGN TAX CREDIT CLAIMED

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued									
	Foreign taxes paid or accrued and deemed paid before reduction					Paid or accrued				
	Total	Dividends	Interest	Rents, royalties and license fees	Branch income	Total	Dividends	Interest	Rents, royalties and license fees	Branch income
(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)
All geographic areas, total	23,103,062	4,677,899	2,329,825	758,804	908,655	3,272,882	152,670	41,785	1,104,564	14,635,173
Canada	4,858,174	8,867,888	2,329,825	758,804	908,655	3,272,882	152,670	41,785	1,104,564	14,635,173
Latin America, total	2,604,118	1,876,690	815,368	847,788	73,718	1,104,564	3,816,591	117,048	825,428	119,825
Mexico	218,308	424,910	162,303	131,661	81,077	267,682	24,837	2,982	182,019	3,816,591
Central America, total	14,149	3,876	14,966	1,238	36,723	4,039	1,379	10,665	625,428	119,825
Costa Rica	11,018	7,042	1,448	88	1,333	1,148	341	486	601	176,083
Guatemala	28,945	5,794	1,596	1,159	79	4,533	3,071	443	443	3,976
Honduras	179,897	12,151	8,614	652	1,782	2,248	132	486	—	2,293
Panama (including Canal Zone)	7,827	17,546	9	2	1,653	22,710	892	486	—	474
Caribbean countries, total	145,494	96,823	8,325	101	879	9,350	141	—	—	158,688
Cayman Islands (British)	1,636,831	1,065,998	427,684	404,007	38,594	7,767	249	—	—	6,994
Dominican Republic	164,876	145,623	26,099	529,186	15,465	2,550	19,613	21,502	571,133	49,660
South America, total	1,228,595	769,619	362,498	61,977	15,465	30,548	15,465	19,613	9,328	19,613
Argentina	25,945	24,624	4,437	1,709	5,568	5,568	3,045	9,328	19,613	571,133
Chile	179,897	12,151	8,614	652	1,782	2,248	132	486	—	2,293
Colombia	5,074	9	2	2,367	1,653	22,710	892	486	—	474
Costa Rica	11,018	7,042	1,448	88	1,333	1,148	341	486	—	176,083
Guatemala	28,945	5,794	1,596	1,159	79	4,533	3,071	443	—	3,976
Honduras	179,897	12,151	8,614	652	1,782	2,248	132	486	—	2,293
Panama (including Canal Zone)	7,827	17,546	9	2	1,653	22,710	892	486	—	474
Caribbean countries, total	145,494	96,823	8,325	101	879	9,350	141	—	—	158,688
Cayman Islands (British)	1,636,831	1,065,998	427,684	404,007	38,594	7,767	249	—	—	6,994
Dominican Republic	164,876	145,623	26,099	529,186	15,465	2,550	19,613	21,502	571,133	49,660
South America, total	1,228,595	769,619	362,498	61,977	15,465	30,548	15,465	19,613	9,328	19,613
Argentina	25,945	24,624	4,437	1,709	5,568	5,568	3,045	9,328	19,613	571,133
Chile	179,897	12,151	8,614	652	1,782	2,248	132	486	—	2,293
Colombia	5,074	9	2	2,367	1,653	22,710	892	486	—	474
Costa Rica	11,018	7,042	1,448	88	1,333	1,148	341	486	—	176,083
Guatemala	28,945	5,794	1,596	1,159	79	4,533	3,071	443	—	3,976
Honduras	179,897	12,151	8,614	652	1,782	2,248	132	486	—	2,293
Panama (including Canal Zone)	7,827	17,546	9	2	1,653	22,710	892	486	—	474
Caribbean countries, total	145,494	96,823	8,325	101	879	9,350	141	—	—	158,688
Cayman Islands (British)	1,636,831	1,065,998	427,684	404,007	38,594	7,767	249	—	—	6,994

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Country to Which Foreign Taxes Were Paid—Continued

Geographic area, total	Country and U.S. DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued		Total amount paid by U.S. taxpayers for foreign taxes
		Income and taxes from specific geographic area or country—Continued	Dividends, interest, and other income from specific geographic area or country—Continued	
		(6)	(7)	(8)
All geographic areas, total		22,444,995	3,182,423	1,218,182
Latin America, total		4,485,263,211	282,239	8,241
Brazil		2,061,070	11,259	132,989
Ecuador		519,484	184,887	62,822
Mexico		1,171,895	376	32
Venezuela		71,000	106	55,956
Other Latin America		1,561,842	182,538	3,821
Other Western Hemisphere, total		1,248,822	1,823,577	3,821
Canada		901,144	1,427,487	23,475
Europe, total		11,824,184	1,627,487	23,475
Austria		1,033,558	181,710	3,821
Belgium		48,528	15	2,850
Denmark		3,097,604	12,931	7,470
France (including French Suez Canal Zone)		2,462,416	1,877,778	1,035
Germany		1,033,558	181,710	3,821
Italy (including San Marino)		2,462,416	1,877,778	1,035
Luxembourg		1,033,558	181,710	3,821
Netherlands		1,033,558	181,710	3,821
Norway		1,033,558	181,710	3,821
Spain		1,033,558	181,710	3,821
Sweden		1,033,558	181,710	3,821
Switzerland		1,033,558	181,710	3,821
United Kingdom		1,033,558	181,710	3,821
West Germany		1,033,558	181,710	3,821
Other Europe		1,033,558	181,710	3,821
Africa, total		82,891,840	33,869,936	19,697,337
Liberia		28,449,514	11,903,873	9,937,498
South Africa (including Namibia)		3,020,452,243	73,850,471	30,227,286
Other Africa		50,421,883	21,165,592	17,762,553
Asia, total		4,558,729,870	107,788,978	21,247,303
Hong Kong		3,203,840,930	71,249,488	29,296,280
Indonesia		2,354,975,824	36,535,491	18,134,883
Japan (including Okinawa and Ryukyu)		4,188,465,716	98,947,570	50,412,578
Philippines		3,121,594,247	73,446,411	29,834,893
Oceania, total		4,006,752,783	93,125,304	20,430,653
Australia		3,961,341,200	92,321,860	20,359,618
Puerto Rico and U.S. Possessions, total		3,378,381,025	82,128,135	33,261,173
OPEC countries, total (included above)		3,610,683,006	78,825,349	32,948,509
Tax haven countries, total (included above)		4,598,847,728	105,800,181	43,273,487

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to Which Foreign Taxes Were Paid

Selected industry and selected country and U.S. DISC and FSC dividends	Number of returns	Total assets	Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Income and taxes from all sources				Foreign tax credit computed		
						Taxable income (less loss) from foreign sources before loss receipts	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
All Industries, total	4,408	5,404,718,817	130,506,344	53,247,108	22,258,235	85,809,314	6,467,689	14,635,173	1,059,550	5,364,349	22,260,336	727
All geographic areas, total	2,090	4,663,310,229	113,458,162	46,180,858	21,283,601	81,782,294	7,788,753	14,247,724	931,861	4,778,438	21,255,656	727
Latin America, total	976	4,485,263,211	100,588,749	41,273,247	20,854,104	81,550,868	7,527,812	14,095,109	863,242	4,851,152	20,956,169	727
Brazil	376	3,717,816,967	78,723,590	31,990,205	15,549,005	63,227,484	6,899,118	12,285,730	864,693	4,224,122	19,551,130	662
Ecuador	155	2,509,909,404	53,684,826	22,220,054	15,987,458	42,392,195	6,130,902	10,192,749	814,268	3,849,573	15,539,349	562
Mexico	688	4,065,535,944	89,842,011	36,742,807	19,892,965	47,450,531	7,266,867	13,955,122	377,105	4,382,766	19,985,010	717
Venezuela	310	3,194,988,242	71,281,972	29,869,333	18,312,507	52,391,338	6,812,011	12,211,347	864,653	4,190,615	16,314,557	722
Other Latin America	344	3,859,345,684	83,377,261	33,960,790	19,193,449	55,902,052	6,738,125	13,956,156	666,327	4,469,269	19,195,466	688
Other Western Hemisphere, total	134	2,619,157,750	47,978,513	19,933,766	14,404,638	41,554,668	5,139,469	9,804,460	759,919	3,773,540	14,408,305	339
Bermuda	180	2,139,845,365	56,553,261	23,703,911	16,009,560	43,133,869	5,820,119	11,119,451	834,940	2,695,190	18,011,561	874
Netherlands Antilles	189	3,083,828,327	66,631,916	27,379,274	16,965,907	48,905,669	5,997,449	11,470,288	735,064	4,012,718	16,361,460	525
Europe, total	1,853	4,736,868,328	108,576,776	44,872,266	21,691,512	63,786,936	7,990,375	14,478,405	1,001,372	4,983,180	21,693,567	727
Austria	162	2,526,798,981	59,508,034	24,524,722	16,172,143	47,230,807	5,530,088	11,190,112	673,608	3,785,970	16,174,023	553
Belgium	344	3,187,453,257	76,300,420	31,241,583	16,913,001	54,771,555	6,874,001	12,712,745	814,675	2,208,144	18,914,921	592
Denmark	242	2,801,794,854	64,211,993	26,814,338	17,256,382	49,469,738	6,371,729	11,452,956	907,953	4,011,324	17,256,489	585
France (including French Suez Canal Zone)	538	1,678,659,359	89,411,789	35,273,178	18,703,407	37,484,840	7,629,885	17,438,241	174,354	2,243,291	15,795,461	727
Germany	412	3,496,457,314	80,607,972	32,951,648	19,512,689	56,469,852	6,945,961	13,296,989	880,871	4,323,457	19,514,588	592
Luxembourg	65	1,975,271,335	26,015,918	10,029,791	6,235,355	17,678,154	2,841,437	5,872,865	157,846	357,554	16,233,333	288
Netherlands	674	3,689,830,468	81,702,287	33,015,658	18,070,689	51,073,430	6,362,857	12,853,495	856,522	4,263,470	19,076,828	610
Norway	194	2,351,832,358	55,703,436	22,903,594	16,101,217	46,217,882	6,096,526	10,874,403	315,525	1,830,994	16,100,761	216
Spain	318	3,327,211,115	74,760,699	29,125,785	16,206,765	48,989,843	6,895,545	12,258,718	943,302	3,334,375	18,208,613	587
Sweden	262	3,134,347,712	71,217,372	29,125,785	16,206,765	48,989,843	6,895,545	12,258,718	738,962	4,034,316	17,965,824	591
Switzerland	444	2,417,257,738	77,806,766	31,931,216	18,918,837	54,405,414	6,907,249	12,684,419	813,770	4,143,799	18,921,756	592
United Kingdom	809	4,134,233,428	102,420,616	38,885,493	20,860,087	61,304,743	7,483,712	14,687,587	936,532	4,525,968	20,862,132	727
West Germany	843	3,645,213,737	86,808,727	35,943,177	20,391,405	58,616,561	7,239,714	13,805,019	864,736	4,408,175	20,363,440	708
Africa, total	681	3,643,235,040	82,891,840	33,869,936	19,697,337	56,978,168	7,359,998	13,061,497	828,537	4,678,331	19,699,388	723
Liberia	44	1,632,792,578	28,449,514	11,903,873	9,937,498	27,852,059	4,557,708	6,594,759	794,268	2,294,489	9,938,828	2
South Africa (including Namibia)	588	3,020,452,243	73,850,471	30,227,286	17,762,553	50,956,760	6,122,407	12,127,101	737,807	4,012,639	17,617,811	722
Other Africa	1,338	4,558,729,870	107,788,978	44,074,207	21,247,303	62,408,601	7,742,975	14,204,257	958,319	4,887,278	21,248,358	727
Hong Kong	295	3,203,840,930	71,249,488	29,296,280	17,799,766	51,642,601	6,133,873	12,082,873	734,374	4,194,122	17,801,626	592
Indonesia	154	2,354,975,824	36,535,491	18,134,883	9,885,491	49,404,330	6,415,473	10,571,432	105,105	3,814,067	16,136,351	343
Japan (including Okinawa and Ryukyu)	1,051	4,188,465,716	98,947,570	50,412,578	25,922,862	59,719,620	7,413,001	13,751,903	865,725	4,561,947	20,522,913	723
Philippines	229	3,121,594,247	73,446,411	29,834,893	18,322,013	51,406,878	6,697,849	11,775,651	885,574	4,193,476	18,133,913	572
Oceania, total	631	4,006,752,783	93,125,304	37,982,853	20,430,653	59,720,659	7,336,332	13,729,842	838,562	4,525,847	20,432,708	727
Australia	784	3,961,341,200	92,321,860	37,648,618	20,359,618	58,419,429	7,318,003	13,680,241	838,563	4,516,278	20,361,889	704
Puerto Rico and U.S. Possessions, total	472	3,378,381,025	82,128,135	33,261,173	17,134,818	51,191,327	6,258,252	12,318,540	759,245	4,177,760	18,136,718	572
OPEC countries, total (included above)	418	3,610,683,006	78,825,349	32,948,509	19,563,831	58,514,404	7,390,024	12,913,842	858,155	4,548,342	19,565,885	727
Tax haven countries, total (included above)	1,185	4,598,847,728	105,800,181	43,273,487	21,277,282	62,334,270	7,812,250	14,241,224	881,089	4,834,514	21,279,537	727

Footnotes at end of table

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 14 columns: Selected industry and selected country and IC-DISC and FSC dividends, Gross income (less loss) including branch operations and separately allocable income, Dividends, Dividend gross-up, Interest, Other, Oil and gas extraction (less loss), Deductions from branch operations and separately allocable income, Deductions from oil and gas extraction income, Taxable income (less loss) before loss recapture, Total, Foreign branch income, Separately allocable income (Section 853(b)), Other than from branch operations and separately allocable income.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 10 columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Interest, Rents, royalties and license fees, Branch income, Other taxes paid or accrued on, Other income, Deemed paid.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources								Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign uses	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
<b>Agriculture, forestry and fishing</b>												
All geographic areas, total	101	2,250,028	213,785	93,498	12,841	89,417	10,982	4,730	—	10,550	12,841	—
Canada	41	1,667,158	154,842	70,880	11,235	78,493	10,710	4,031	—	9,972	11,235	—
Latin America, total	5	2,079,384	202,937	89,967	12,481	77,054	9,175	2,831	—	578	12,481	—
Europe, total	10	2,075,357	204,215	90,542	12,449	77,027	9,184	2,831	—	552	12,449	—
Africa, total	50	894,575	149,157	67,517	4,193	32,100	1,608	2,132	—	552	4,193	—
Asia, total	6	1,799,101	180,926	83,024	12,393	87,272	9,107	2,831	—	552	12,393	—
OPEC countries, total	3	1,921,334	177,024	78,332	11,161	74,226	9,029	2,132	—	—	11,161	—
Tax haven countries, total	3	1,764,744	178,386	81,921	12,389	67,238	9,104	2,831	—	552	12,389	—
<b>Mining, total</b>												
All geographic areas, total	138	18,094,150	1,938,592	843,506	618,542	1,474,879	605,885	226,611	180,493	405,206	618,542	—
Canada	97	10,795,813	1,184,134	507,804	385,322	847,957	281,783	223,964	94,851	235,755	385,322	—
Latin America, total	21	5,805,098	482,705	198,781	185,358	442,228	15,959	219,037	30,135	23,338	185,358	—
Mexico	17	1,392,529	11,742	5,079	872	2,029	533	702	—	17	872	—
Venezuela	3	4,075,269	470,911	193,673	184,478	440,148	13,613	218,335	28,606	3,496	184,478	—
Other Western Hemisphere, total	4	8,831,215	801,771	345,869	336,257	769,361	246,237	221,689	93,950	196,458	336,257	—
Europe, total	34	12,589,734	1,424,774	619,073	478,378	1,097,584	414,257	221,182	148,005	287,473	478,378	—
Denmark	15	23,076	1,301	295	6	26	9	—	—	6	—	—
France (including Andorra)	3	1,046,576	108,768	48,521	3,157	9,099	1,068	—	—	2,089	3,157	—
Italy (including San Marino)	4	4,514,980	516,167	209,180	179,808	429,697	11,921	217,477	28,606	—	179,808	—
Netherlands	6	1,359,399	245,359	111,338	85,956	152,188	83,120	797	6,458	34,386	85,956	—
Norway	3	3,395,258	440,884	201,390	191,849	418,689	299,863	2,667	85,211	189,013	191,849	—
Spain	3	3,361,513	440,631	185,445	179,555	428,010	11,868	217,477	28,606	—	179,555	—
United Kingdom	9	6,996,300	793,713	307,906	232,032	555,485	94,240	218,515	52,253	17	232,032	—
West Germany	5	3,203,315	486,408	201,288	179,932	431,131	11,817	217,714	28,606	—	179,932	—
Africa, total	5	5,868,893	880,383	389,123	384,852	884,608	295,970	220,144	90,700	266,574	384,852	—
Asia, total	10	8,075,890	739,859	321,288	286,221	625,946	124,026	217,716	79,872	91,132	286,221	—
Indonesia	5	3,927,477	614,899	265,732	265,547	621,118	123,601	217,477	79,872	91,116	265,547	—
Japan (including Okinawa and Ryukyus)	5	1,727,104	98,330	42,245	36,507	86,307	38,515	237	27,729	61,985	36,507	—
Oceania, total	27	685,858	24,502	9,435	3,918	23,832	13,645	261	1,549	19,825	3,918	—
Australia	27	685,858	24,502	9,435	3,918	23,832	13,645	261	1,549	19,825	3,918	—
OPEC countries, total (included above)	8	5,889,687	787,718	328,689	270,595	635,051	125,887	219,338	79,872	84,612	270,595	—
Tax haven countries, total (included above)	11	8,828,589	1,128,888	482,838	437,845	1,004,290	347,492	222,888	126,138	252,812	437,845	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country										Taxable income (less loss) before loss recapture									
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction					Total	Foreign income	Special allocable income (Section 653(b))	Other than from branch operations and specially allocable income						
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	(13)	(14)					(15)	(16)	(17)	(18)	(19)	(20)
<b>Agriculture, forestry and fishing</b>																				
All geographic areas, total	531,190	42,128	4,730	5,182	479,152	—	—	—	—	440,843	—	89,417	-2,103	973	—	90,547	—	—	—	12,823
Canada	34,131	4,498	1,899	835	27,100	—	—	—	—	21,308	—	12,705	-719	—	—	8,528	—	—	—	8,858
Latin America, total	365,995	2,258	500	1,823	361,417	—	—	—	—	357,137	—	9,825	—	967	—	50,429	—	—	—	1,641
Europe, total	73,368	32,181	252	2,185	38,749	—	—	—	—	22,937	—	1,641	-1,149	—	—	4,747	—	—	—	4,747
Africa, total	2,299	509	273	30	1,487	—	—	—	—	857	—	4,648	199	—	—	1,641	—	—	—	1,641
Asia, total	28,572	1,433	848	219	23,054	—	—	—	—	20,825	—	3,125	—	—	—	1,941	—	—	—	1,941
OPEC countries, total	5,085	—	635	1,004	168,159	—	—	—	—	179,184	—	-9,032	—	56	—	-9,108	—	—	—	-9,108
Tax haven countries, total	170,078	2,277	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Mining, total</b>																				
All geographic areas, total	2,828,853	279,561	226,611	82,018	2,058,663	1,931,282	1,205,781	845,227	1,474,879	53,810	-24	—	—	—	1,421,093	—	—	—	—	16,282
Canada	28,084	814	2,962	12,214	12,274	24,530	11,782	19,509	91,237	74,955	-24	—	—	—	16,282	—	—	—	—	—
Latin America, total	7,025	795	772	801	4,857	9,099	4,539	28,453	-14,862	-17,348	—	—	—	—	2,488	—	—	—	—	—
Mexico	2,993	684	702	—	1,626	—	—	—	—	—	—	—	—	—	1,399	—	—	—	—	—
Venezuela	450	131	—	—	—	—	—	—	—	—	—	—	—	—	423	—	—	—	—	—
Other Western Hemisphere, total	33,524	5,468	1,875	1,889	24,512	23,517	9,124	8,087	24,400	—	—	—	—	—	1,399	—	—	—	—	—
Europe, total	1,391,197	186,787	139,728	38,118	1,046,587	1,221,792	558,144	569,888	834,994	1,384	-22	—	—	—	833,053	—	—	—	—	—
Denmark	190	9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
France (including Andorra)	1,875	13	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino)	171,584	797	1,875	132	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	721,527	4	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Norway	853	4	2,567	26,212	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Spain	481,720	1,108	797	1,875	167,650	135,516	49,770	43,899	152,873	31,079	—	—	—	—	1,875	—	—	—	—	—
United Kingdom	2,514	4	—	—	687,871	714,042	401,820	401,820	319,705	—	—	—	—	—	121,794	—	—	—	—	—
West Germany	481,720	853	4	2,567	26,212	—	—	—	—	—	—	—	—	—	319,705	—	—	—	—	—
Africa, total	2,299	509	273	30	1,487	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Asia, total	498,804	180,463	138,063	921	185,171	376,097	101,938	114,999	359,443	—	—	—	—	—	—	—	—	—	—	—
Indonesia	548,985	105,528	81,414	1,395	498,328	184,856	358,354	54,315	132,912	-7,338	—	—	—	—	379,782	—	—	—	—	—
Japan (including Okinawa and Ryukyus)	542,740	104,198	81,414	1,380	358,648	484,197	148,793	153,318	397,693	501	-1	—	—	—	140,250	—	—	—	—	—
Oceania, total	115,398	312	62	5,344	109,681	3,272	107,687	11,878	8,586	1,076	—	—	—	—	397,192	—	—	—	—	—
Australia	115,398	312	62	5,344	109,681	3,272	107,687	11,878	8,586	1,076	—	—	—	—	397,192	—	—	—	—	—
OPEC countries, total (included above)	545,318	105,650	81,484	1,609	358,675	484,818	147,412	153,138	384,769	501	-1	—	—	—	140,250	—	—	—	—	—
Tax haven countries, total (included above)	205,989	8,277	2,477	3,888	193,063	193,030	59,768	57,734	177,384	31,131	—	—	—	—	146,233	—	—	—	—	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							Deemed paid
	Foreign taxes paid or accrued and deemed paid below reduction							
	Total	Paid or accrued				Other taxes paid or accrued on		
		Total	Tax withheld at source on			Branch income	Other income	
Dividends			Interest	Patents, royalties and license fees				
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Agriculture, forestry and fishing</b>								
All geographic areas, total	15,691	10,982	1,268	136	1,785	71	7,701	4,730
Canada	4,023	2,124	875	95	881	—	473	1,899
Latin America, total	4,475	3,975	100	36	117	—	3,722	500
Europe, total	4,433	4,182	233	—	709	—	3,239	251
Asia, total	410	137	93	—	38	—	7	273
Africa, total	1,292	448	166	5	3	71	200	846
Asia, total	8	5	—	—	78	—	8	635
OPEC countries, total	1,095	459	98	—	—	—	283	—
Tax haven countries, total	—	—	—	—	—	—	—	—
<b>Mining, total</b>								
All geographic areas, total	832,496	605,685	50,957	1,326	203,836	62,720	287,037	226,811
Canada	68,109	65,147	22,606	884	849	40,845	163	2,962
Latin America, total	6,126	5,353	389	37	14	3,288	1,029	772
Europe, total	1,064	363	363	37	—	—	—	702
Asia, total	134	63	26	—	—	—	7,410	1,675
Other Western Hemisphere, total	8,084	7,410	—	—	201,518	12,699	111,979	139,726
Europe, total	480,031	340,305	13,708	401	—	—	5	—
Denmark	3	3	3	—	—	—	—	—
France (including Andorra)	12	277	1	5	1	—	—	797
Italy (including San Marino)	61,849	61,052	—	—	201,518	—	4	—
Netherlands	204,183	201,516	—	—	—	—	63,539	136,063
Norway	4	4	—	—	—	—	—	200
Spain	213,307	77,244	13,704	71	—	—	—	—
United Kingdom	348	149	—	—	—	—	—	—
West Germany	58,767	58,767	—	—	1,509	—	57,258	—
Africa, total	199,011	117,597	14,206	—	—	146	5,403	97,842
Asia, total	193,407	111,993	14,206	—	—	146	—	91,767
Indonesia	11,388	11,306	48	4	—	—	495	10,759
Japan (including Okinawa and Ryukyu)	11,368	11,306	48	4	—	—	495	62
Oceania, total	193,653	112,389	14,232	37	—	—	—	89,099
Australia	71,017	68,546	—	—	—	—	12,768	81,414
OPEC countries, total (included above)	—	—	—	—	—	—	—	—
Tax haven countries, total (included above)	—	—	—	—	—	—	—	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources							Foreign tax credit computed		
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss from foreign sources) before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain taxes	Carryover	Before reduction for foreign taxes	Reduction for international boycott operations
<b>Oil and gas extraction</b>												
All geographic areas, total	114	12,245,445	1,528,521	667,004	567,707	1,348,218	524,940	222,741	174,792	304,224	567,707	—
Canada	87	7,390,845	879,692	377,664	330,499	768,505	241,002	221,057	89,171	192,509	330,499	—
Latin America, total	19	4,235,643	472,264	193,978	184,492	440,225	15,375	218,335	30,135	23,321	184,942	—
Mexico	15	23,076	1,201	295	8	26	9	—	—	—	6	—
Venezuela	3	4,075,269	470,911	193,673	184,478	440,148	13,813	218,335	28,606	3,499	184,478	—
Other Western Hemisphere, total	4	6,831,215	801,771	345,869	338,257	768,391	248,237	221,689	93,950	196,458	338,257	—
Europe, total	27	8,465,280	1,145,871	502,193	474,932	1,087,538	413,362	220,940	148,005	287,458	474,932	—
Denmark	15	23,076	1,201	296	6	26	9	—	—	—	6	—
Norway	3	840,264	155,414	70,058	65,489	149,200	62,653	797	6,458	—	65,489	—
United Kingdom	3	3,385,258	440,884	201,380	191,849	418,699	269,863	218,273	85,211	163,013	191,849	—
Netherlands	6	4,929,075	611,398	257,863	231,407	551,025	93,864	218,273	53,253	—	231,407	—
West Germany	3	3,116,978	487,187	200,747	179,528	427,832	11,642	217,477	29,606	—	179,528	—
Africa, total	4	5,728,324	855,715	377,785	353,513	859,960	287,873	220,144	80,700	208,638	353,513	—
Asia, total	6	3,927,477	627,440	270,283	285,595	621,485	123,650	217,477	79,672	91,116	285,595	—
Oceania, total	18	286,670	14,120	4,740	146	4,502	2,215	—	1,529	19,825	146	—
Australia	18	286,670	14,120	4,740	146	4,502	2,215	—	1,529	19,825	146	—
OPEC countries, total	7	5,028,582	881,229	279,927	270,548	633,806	125,822	218,335	79,872	84,812	270,548	—
Tax haven countries, total	10	8,111,435	1,036,843	451,358	437,178	1,001,304	347,025	222,688	128,138	252,812	437,178	—
<b>Construction</b>												
All geographic areas, total	150	16,503,316	237,565	115,489	81,715	203,554	30,307	45,748	—	24,073	81,715	—
Canada	31	16,048,801	218,221	108,325	80,442	196,417	29,253	45,748	—	23,832	80,442	—
Latin America, total	9	12,319,510	180,143	81,252	67,940	161,685	27,714	28,284	—	16,616	67,940	—
Brazil	4	11,758,049	143,340	58,849	53,991	127,777	19,334	35,354	—	16,400	53,991	—
Panama (including Canal Zone)	3	11,552,109	132,635	60,952	49,509	117,574	13,519	31,287	—	16,400	49,509	—
Venezuela	3	10,368,302	101,045	46,050	44,561	101,598	31,693	31,693	—	16,400	46,050	—
Other Western Hemisphere, total	6	11,490,207	154,884	70,063	59,716	142,749	26,115	32,564	—	3,397	44,561	—
Europe, total	7	14,951,113	170,468	87,329	72,959	178,670	28,413	42,958	—	3,994	59,716	—
Bermuda	3	2,442,992	40,491	19,108	5,364	11,994	2,991	1,151	—	10,777	19,108	—
Netherlands Antilles	3	12,109,031	98,673	55,772	54,456	138,314	12,245	41,808	—	5,192	54,456	—
Asia, total	106	14,036,342	181,705	91,394	77,773	191,843	27,885	45,468	—	18,216	77,773	—
France (including Andorra)	3	824,556	21,595	9,787	7,827	19,542	996	2,780	—	13,219	16,217	—
Italy (including San Marino)	3	12,464,135	109,807	60,907	52,155	130,130	13,141	36,612	—	5,585	52,155	—
Netherlands	100	11,012,305	122,684	56,338	46,371	111,211	12,338	32,564	—	3,397	46,371	—
United Kingdom	4	10,783,068	115,952	51,861	41,827	100,352	12,449	28,497	—	3,409	41,827	—
West Germany	3	11,888,241	151,786	73,384	62,532	145,205	26,581	31,287	—	16,400	62,532	—
Africa, total	8	728,971	25,497	11,393	2,606	7,930	1,427	871	—	3,597	11,393	—
Asia, total	9	14,070,605	193,482	87,485	69,930	165,848	28,203	35,634	—	208	2,506	—
Oceania, total	4	12,587,533	131,524	60,414	44,403	108,510	13,538	28,777	—	21,808	69,930	—
Australia	4	12,587,533	131,524	60,414	44,403	108,510	13,538	28,777	—	21,808	69,930	—
Puerto Rico and U.S. possessions, total	9	11,191,322	123,790	58,764	52,185	124,503	12,892	34,483	—	8,589	44,403	—
OPEC countries, total (included above)	7	11,525,872	158,677	71,475	59,731	143,477	28,120	32,564	—	16,400	52,185	—
Tax haven countries, total (included above)	105	15,010,778	178,611	88,766	73,012	179,146	28,455	42,958	—	3,594	59,731	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country												
	Gross income (less loss) excluding branch operations and specialty allocable income					Income and taxes from specific geographic area or country				Taxable income (less loss) before loss recapture			
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specialty allocable income	Deductions from oil and gas extraction income	Total	Foreign branch income	Specialty allocable income (Section 853(b))	Other than from branch operations and specialty allocable income	
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)		
<b>Oil and gas extraction</b>													
All geographic areas, total	2,147,458	276,721	222,741	45,947	1,602,048	1,931,282	778,303	845,227	1,348,218	-20,937	-	1,369,155	
Canada	12,807	238	58	5,119	7,394	24,530	850	19,509	16,821	4,884	-	11,938	
Latin America, total	4,049	147	70	801	3,031	9,099	2,945	28,453	-18,252	-17,458	-	1,104	
Mexico	17	17	70	-	-	-	-	17	-	-13	-	17	
Venezuela	450	131	-	249	-	-	-	13	423	-	-	437	
Other Western Hemisphere, total	33,524	5,468	1,675	1,889	24,512	23,317	9,124	8,087	24,400	-	-	24,400	
Europe, total	1,385,821	168,378	139,528	38,139	1,043,878	1,221,792	556,969	589,888	827,144	-1,508	-	826,632	
Denmark	9	-	-	-	-	-	-	-	9	-	-	9	
Netherlands	171,564	1,108	797	2,010	167,650	135,516	49,770	43,699	149,401	27,607	-	121,794	
Norway	721,527	4,777	2,867	26,212	687,871	714,042	401,820	401,820	319,705	-	-	319,705	
United Kingdom	480,579	160,463	136,053	24	194,029	376,007	100,919	114,999	359,522	-20,338	-	339,184	
West Germany	62	10	-	52	-	-	-	30	37	-28	-	62	
Africa, total	163,885	-	-	625	163,260	184,856	48,283	54,315	108,264	-7,338	-	116,602	
Asia, total	544,018	104,206	81,414	1,395	357,001	484,197	148,454	153,318	398,063	501	-	395,562	
Oceania, total	3,498	226	(1)	-	3,272	3,272	-	-	11,878	-8,180	-	-8,180	
Australia	3,498	226	(1)	-	3,272	3,272	-	-	11,878	-8,180	-	-8,180	
OPEC countries, total	543,871	104,328	81,484	1,609	358,449	484,516	147,177	147,141	383,555	-13,138	-	390,417	
Tax haven countries, total	205,999	6,577	2,471	3,888	193,083	159,030	59,788	51,734	173,892	27,659	-	146,233	
<b>Construction</b>													
All geographic areas, total	303,482	90,258	45,748	8,043	161,415	-	109,781	-	203,554	9,083	780	193,711	
Canada	90,619	48,578	28,491	398	13,151	-	13,659	-	76,960	-	-	76,960	
Latin America, total	47,082	2,082	1,191	615	42,975	-	11,888	-	35,378	-	-	35,378	
Brazil	3,083	1,608	1,157	-	317	-	571	-	2,512	-	-	2,512	
Mexico	1,473	349	3	-	1,120	-	167	-	1,305	-	-	1,305	
Panama (including Canal Zone)	1,521	31	31	-	1,560	-	431	-	1,190	-	-	1,190	
Venezuela	37,975	93	-	503	37,379	-	9,740	-	28,235	-	-	28,235	
Other Western Hemisphere, total	10,773	6,599	1,243	2,420	510	-	1,075	-	9,898	-	-	9,898	
Bermuda	1,331	821	-	-	510	-	1,050	-	281	-	-	281	
Netherlands Antilles	9,191	5,624	1,243	2,324	-	-	1	-	9,190	-	-	9,190	
Europe, total	68,740	28,178	13,898	-	26,665	-	20,035	-	55,152	6,447	-	48,705	
Belgium	5,830	2,833	2,193	-	1,064	-	1,667	-	4,168	-	-	4,168	
France (including Andorra)	30,240	16,724	10,077	-	14,939	-	32	-	30,208	-	-	30,208	
Italy (including San Marino)	1,406	253	11	-	1,142	-	981	-	425	-	-	425	
Netherlands	5,362	3,833	822	-	937	-	527	-	4,834	-	-	4,834	
United Kingdom	2,245	154	52	-	2,043	-	195	-	8,500	6,447	-	2,054	
West Germany	9,901	235	199	-	9,468	-	6,733	-	3,168	-	-	3,168	
Africa, total	412	4	-	-	408	-	675	-	-263	-	-	-263	
Asia, total	57,452	3,948	681	23	52,903	-	48,092	-	10,112	752	-	9,361	
Oceania, total	6,974	328	280	155	6,211	-	329	-	8,518	1,871	-	6,645	
Australia	6,974	328	280	155	6,211	-	329	-	8,518	1,871	-	6,645	
Puerto Rico and U.S. possessions, total	8,958	100	65	-	8,794	-	4,853	-	4,305	-	-	4,305	
OPEC countries, total (included above)	39,447	1,729	-	503	37,215	-	9,847	-	29,707	108	-	29,599	
Tax haven countries, total (included above)	21,920	13,043	2,790	2,732	3,385	-	2,492	-	19,429	-	-	19,429	

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								
	Total	Foreign taxes paid or accrued and deemed paid before reduction							Deemed paid
		Paid or accrued							
		Total	Tax withheld at source on			Other taxes paid or accrued on			
Dividends	Interest		Rents, royalties and license fees	Branch income	Other income				
	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Oil and gas extraction</b>									
All geographic areas, total	747,681	524,940	50,553	854	203,888	21,785	248,060	222,741	
Canada	24,689	24,633	1,609	763	647	491	163	58	
Latin America, total	4,972	4,902	32	37	14	3,193	1,626	70	
Mexico	134	6	6	37	14	-	-	70	
Venezuela	63	6	-	37	-	-	-	70	
Other Western Hemisphere, total	9,084	7,410	13,708	53	201,518	12,899	7,410	1,875	
Denmark	479,402	339,875	13,708	-	-	-	-	1,875	
Netherlands	3	3	-	-	-	-	-	-	
Norway	61,849	61,052	3	-	201,518	12,899	111,898	139,528	
United Kingdom	204,183	201,516	-	-	-	-	-	797	
West Germany	213,307	77,244	-	-	201,516	12,699	48,353	138,063	
Africa, total	30,870	30,870	-	-	-	-	63,539	797	
Asia, total	198,828	117,412	14,206	-	1,908	-	97,603	81,414	
Australia	38	38	-	-	-	-	29,161	3	
OPEC countries, total	38	38	-	-	-	-	97,603	81,414	
Tax haven countries, total	193,814	112,330	14,232	37	-	-	5,403	-	
	71,017	68,540	-	-	-	-	12,768	2,471	
<b>Construction</b>									
All geographic areas, total	76,054	30,307	9,238	88	1,516	4,307	15,160	45,748	
Canada	36,585	8,093	8,746	39	549	-	759	28,491	
Latin America, total	15,074	12,883	600	402	178	-	13,105	1,191	
Brazil	1,569	411	600	402	178	-	13,105	1,191	
Mexico	384	361	152	-	-	-	488	1,157	
Panama (including Canal Zone)	319	488	-	-	-	-	169	3	
Venezuela	12,531	12,531	5	-	-	-	488	1,157	
Other Western Hemisphere, total	1,243	-	-	-	-	-	12,526	31	
Bermuda	-	-	-	-	-	-	-	-	
Netherlands Antilles	1,243	-	-	-	-	-	-	-	
Europe, total	16,832	4,734	1,689	-	-	-	-	1,243	
Belgium	2,334	395	395	-	-	-	-	1,243	
France (including Andorra)	10,777	395	1,689	-	161	2,884	-	-	
Italy (including San Marino)	67	69	627	-	-	-	-	13,698	
Netherlands	1,067	56	38	-	72	-	-	2,139	
United Kingdom	2,935	2,884	246	-	18	-	-	10,077	
West Germany	234	39	35	-	-	-	-	11	
Africa, total	1	1	-	-	-	-	2,884	822	
Asia, total	1,482	902	144	3	-	-	-	52	
Australia	1,482	902	144	3	-	-	-	199	
Puerto Rico and U.S. possessions, total	2,188	1,908	-	5	328	13	414	581	
OPEC countries, total (included above)	2,188	1,908	-	5	180	936	787	280	
Tax haven countries, total (included above)	580	485	10	-	180	936	787	280	
	12,731	12,731	269	-	200	-	474	65	
	3,547	787	-	-	-	-	12,526	488	

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 12 columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources before loss recapture, Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for certain foreign taxes, Carryover, Foreign tax credit computed (Before reduction for operational losses), Reduction for international losses. Rows include Manufacturing, total; All geographic areas, total; Canada; Latin America, total; Other Western Hemisphere, total; Europe, total; Africa, total; Asia, total; Oceania, total; Puerto Rico and U.S. Possessions, total; OPEC countries, total; Tax haven countries, total.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 12 columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Divided gross-up, Interest, Other, Oil and gas extraction (less loss), Deductions from or in lieu of branch operations and specifically allocable income, Deductions from or in lieu of gas operations and specifically allocable income, Taxable income (less loss) before loss recapture, Total, Foreign branch income, Specifically allocable income (Section 863(b)), Other than from branch operations and specifically allocable income. Rows include Manufacturing, total; All geographic areas, total; Canada; Latin America, total; Other Western Hemisphere, total; Europe, total; Africa, total; Asia, total; Oceania, total; Puerto Rico and U.S. Possessions, total; OPEC countries, total; Tax haven countries, total.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Total, Dividends, Interest, Rents, royalties and license fees, Branch income, Other income, Deemed paid. Rows include Manufacturing, total; All geographic areas, total; Canada; Latin America, total; Other Western Hemisphere, total; Europe, total; Africa, total; Asia, total; Oceania, total; Puerto Rico and U.S. Possessions, total; OPEC countries, total; Tax haven countries, total.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources before loss recapture, Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for certain foreign taxes, Carryover, Foreign tax credit computed. Rows include Food and kindred products; All geographic areas, total; Latin America, total; Other Western Hemisphere, total; Europe, total; Africa, total; Asia, total; Oceania, total; Puerto Rico and U.S. Possessions, total; OPEC countries, total; Tax haven countries, total.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less total excluding branch operations and specialty allocable income)					Oil and gas extraction (less loss)	Deductions other than from branch operations and specialty allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before later recapture			
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specialty allocable income (Section 953(b))	Other than from branch operations and specialty allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Food and kindred products</b>												
All geographic areas, total	2,185,316	853,557	560,589	145,544	595,626	—	342,990	—	2,029,815	202,041	15,349	1,812,325
Canada	159,997	45,060	34,749	19,440	59,848	—	—	—	132,857	221	1,822	130,814
Latin America, total	319,884	223,118	47,081	15,896	33,768	—	62,104	—	318,214	59,813	822	257,780
Brazil	67,412	51,641	18,390	2,007	4,516	—	—	—	6,654	—	—	6,654
Ecuador	10,398	5,844	1,573	—	3,581	—	—	—	8,328	3,050	(1)	60,748
Mexico	56,337	21,306	8,878	—	24,328	—	—	—	7,045	—	104	7,149
Panama (including Canal Zone)	20,634	21,431	1,336	210	2,243	—	—	—	55,897	23,922	318	31,656
Venezuela	18,642	8,105	5,113	2,611	2,612	—	—	—	17,815	1,052	31	16,732
Other Western Hemisphere, total	82,304	57,217	20,716	3,592	680	—	2,187	—	17,049	1,837	93	15,119
The Bahamas	3,258	—	—	3,131	127	—	—	—	81,868	—	10	80,118
Bermuda	48,672	44,523	3,078	561	127	—	—	—	2,994	—	34	2,972
Netherlands Antilles	30,372	12,693	17,639	—	40	—	—	—	49,329	—	3	47,820
Europe, total	898,520	320,897	257,720	75,104	244,799	—	161,995	—	29,335	5	7	29,324
Austria	9,819	4,988	3,118	499	1,217	—	—	—	1,040	—	—	6,806
Belgium	39,248	6,757	4,817	5,192	22,480	—	—	—	3,012	—	—	27,112
Denmark	27,004	10,610	11,289	740	4,395	—	—	—	30,901	2,934	254	21,156
France (including Andorra)	67,708	12,110	9,847	10,614	35,137	—	—	—	21,043	—	—	21,043
Italy (including San Marino)	89,455	43,620	18,620	21,074	6,141	—	—	—	18,930	113	513	48,778
Netherlands	47,944	19,208	20,295	5,436	3,004	—	—	—	103,495	27,207	2	76,296
Norway	2,286	321	137	952	870	—	—	—	47,987	4,259	101	43,627
Spain	41,244	24,229	11,469	97	5,450	—	—	—	1,702	—	—	1,702
Sweden	15,841	4,731	4,611	479	5,620	—	—	—	37,438	—	7	37,500
Switzerland	39,219	22,943	8,703	537	7,135	—	—	—	11,153	—	—	11,153
United Kingdom	248,882	90,091	68,371	18,321	72,100	—	—	—	29,170	—	—	30,889
West Germany	233,526	73,963	93,076	8,162	58,325	—	—	—	196,985	1,009	357	195,619
Africa, total	46,018	23,342	12,753	1,873	8,250	—	—	—	27,615	10	464	26,541
Asia, total	517,731	164,020	182,598	2,379	188,745	—	—	—	117,349	78,396	7	38,947
Hong Kong	5,281	932	226	(1)	4,122	—	—	—	38,049	—	—	38,049
Indonesia	400	140	83	—	177	—	—	—	3,756	6	2	1,525
Japan (including Okinawa and Ryukyus)	489,844	141,127	168,877	1,822	158,019	—	—	—	472,112	—	—	472,112
Philippines	13,018	7,084	3,589	226	2,121	—	—	—	1,532	6	2	1,525
Oceania, total	88,625	13,629	4,437	10,186	51,171	—	—	—	92	312	4	307
Puerto Rico and U.S. Possessions, total	16,310	2,309	533	472	13,056	—	—	—	25,040	—	—	25,040
OPEC countries, total (included above)	30,106	14,089	6,769	2,612	6,698	—	—	—	20,871	—	—	20,871
Tax haven countries, total (included above)	302,365	217,228	97,073	12,409	15,655	—	—	—	33,732	—	—	33,732

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued										
	Foreign taxes paid or accrued and deemed paid before reduction										
	Paid or accrued										
	Total	Tax withheld at source on				Other taxes paid or accrued on		Deemed paid			
(25)	(26)	(27)	(28)	(29)	Branch income	Other income	(30)		(31)	(32)	
<b>Food and kindred products</b>											
All geographic areas, total	806,786	248,199	87,712	9,538	22,385	108,168	18,398	560,589	34,749	—	—
Canada	45,118	10,369	4,640	2,444	2,642	57	586	34,749	—	—	—
Latin America, total	149,457	102,378	40,271	1,884	5,643	42,500	12,098	47,081	—	—	—
Brazil	42,589	24,189	22,316	576	434	68	795	18,390	—	—	—
Ecuador	2,700	1,127	—	—	1,127	—	—	1,573	—	—	—
Mexico	51,483	42,646	81	186	1,701	—	—	8,878	—	—	—
Panama (including Canal Zone)	2,197	42,646	81	30	1,701	—	—	1,336	—	—	—
Venezuela	7,456	691	936	447	232	27,011	1,765	5,113	—	—	—
Other Western Hemisphere, total	20,716	2,343	936	447	232	43	684	20,716	—	—	—
The Bahamas	—	—	—	—	—	—	—	—	—	—	—
Bermuda	—	—	—	—	—	—	—	—	—	—	—
Netherlands Antilles	—	—	—	—	—	—	—	—	—	—	—
Europe, total	3,076	49,655	23,674	2,895	3,240	18,168	1,680	257,720	—	—	—
Austria	17,639	—	—	—	—	—	—	—	—	—	—
Belgium	307,375	49,655	23,674	2,895	3,240	18,168	1,680	257,720	—	—	—
Denmark	3,365	249	249	—	—	—	—	3,116	—	—	—
France (including Andorra)	10,789	5,971	1,002	799	—	—	—	4,817	—	—	—
Italy (including San Marino)	11,581	530	530	—	—	—	—	11,288	—	—	—
Netherlands	11,818	5,971	1,002	799	—	—	—	9,547	—	—	—
Norway	11,581	530	530	—	—	—	—	11,288	—	—	—
Spain	34,135	1,735	—	—	—	—	—	34,135	—	—	—
Sweden	21,960	15,514	1,208	—	—	—	—	21,960	—	—	—
Switzerland	168	29	29	—	—	—	—	168	—	—	—
United Kingdom	16,676	5,207	3,825	33	2	708	400	18,620	—	—	—
West Germany	5,083	9,596	4,716	897	3	—	—	9,596	—	—	—
Africa, total	73,088	893	3,853	6	7	—	—	73,088	—	—	—
Asia, total	103,456	10,185	10,185	—	—	—	—	103,456	—	—	—
Hong Kong	40,058	27,308	1,640	7	310	661	185	40,058	—	—	—
Indonesia	215,765	33,170	15,940	94	8,012	24,883	466	215,765	—	—	—
Japan (including Okinawa and Ryukyus)	256	30	—	—	—	—	—	256	—	—	—
Philippines	130	49	29	—	—	—	—	130	—	—	—
Oceania, total	189,438	20,581	12,235	83	7,289	310	5	189,438	—	—	—
Puerto Rico and U.S. Possessions, total	11,610	8,023	1,052	—	—	—	—	11,610	—	—	—
OPEC countries, total (included above)	14,849	10,112	1,292	—	—	—	—	14,849	—	—	—
Tax haven countries, total (included above)	12,997	12,463	456	—	—	—	—	12,997	—	—	—
Total	10,298	3,529	864	447	393	43	589	10,298	6,769	533	3,529
	61,728	4,855	2,108	47	—	—	891	61,728	6,769	533	3,529

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 12 columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources before loss recapture, Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for foreign taxes, Carryover, Before reduction for international boycott operations, Reduction for international boycott operations.

Footnotes at end of table

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 13 columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Dividend gross-up, Interest, Other, Oil and gas extraction (less loss), Deductions other than from branch operations and specially allocable income, Deductions from oil and gas extraction income, Taxable income (less loss) before loss recapture, Foreign branch income, Specially allocable income (Section 863), Other than from branch operations and specially allocable income.

Footnotes at end of table

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								
	Total	Foreign taxes paid or accrued and deemed paid before reduction						Deemed paid	
		Total	Tax withheld at source on				Other taxes paid or accrued on		
			Dividends	Interest	Rents, royalties and license fees	Branch income	Other income		(32)
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Chemicals and allied products</b>									
All geographic areas, total	3,023,325	625,736	364,670	19,893	90,271	311,928	38,967	2,197,569	
Canada	415,141	93,136	50,933	9,529	15,459	11,461	5,765	322,004	
Latin America, total	389,379	186,330	112,410	3,488	16,163	41,627	12,615	183,050	
Brazil	89,965	37,967	32,854	887	340	—	3,886	51,996	
Ecuador	1,311	1,086	577	—	—	271	—	285	
Mexico	121,380	94,648	58,734	1,165	7,555	19,947	7,246	26,732	
Panama (including Canal Zone)	82,026	7,404	6,473	(1)	397	370	164	74,621	
Venezuela	16,991	4,897	3,764	306	159	7	663	11,184	
Other Western Hemisphere, total	17,561	124	124	3	—	—	—	187	
The Bahamas	18	—	—	—	—	—	—	18	
Bermuda	7,264	315	124	3	—	—	—	7,264	
Netherlands Antilles	10,133	—	—	—	—	—	—	9,618	
Europe, total	1,993,093	331,981	157,581	2,345	15,357	146,163	10,534	1,261,112	
Austria	7,429	670	663	—	26	638	151	6,769	
Belgium	110,889	16,502	14,358	1,059	—	10	773	94,386	
Denmark	881	285	285	—	—	—	—	36	
France (including Andorra)	69,544	10,892	10,006	47	6,287	326	6,385	194,845	
Italy (including San Marino)	27,036	1,519	1,519	773	5,883	29	153	58,652	
Luxembourg	53,076	6,279	7,353	—	—	—	—	25,510	
Netherlands	135,943	135,771	40	—	22	905	—	171	
Norway	13,359	—	—	—	1,519	530	—	6,073	
Spain	5,179	223	223	—	—	—	—	236,603	
Sweden	289,013	52,409	51,361	95	288	2,077	2,074	355,534	
Switzerland	391,828	33,295	28,761	201	106	802	314	221,837	
United Kingdom	257,313	36,075	34,652	106	—	—	—	27,474	
West Germany	61,589	34,115	4,140	84	2,813	26,314	783	14,234	
Africa, total	—	—	—	—	—	—	—	67	
Liberia	17,947	3,713	—	—	25	1,501	—	6,740	
South Africa (including Namibia)	462,139	137,344	28,958	3,500	33,962	64,183	66	324,795	
Asia, total	9,395	883	65	—	—	—	—	8,512	
Hong Kong	7,337	2,800	1,094	13	1,046	942	747	5,517	
Indonesia	316,964	42,507	17,552	1,899	16,633	2,688	1,738	275,557	
Japan (including Okinawa and Ryukyus)	23,820	5,725	3,275	—	1,518	906	24	18,095	
Philippines	56,463	12,398	8,229	545	5,205	18	401	44,065	
Oceania, total	53,174	11,266	5,983	522	4,364	—	396	41,909	
Australia	44,717	28,999	4,249	410	791	20,231	1,318	17,718	
Puerto Rico and U.S. Possessions, total	107,943	91,526	5,844	318	3,468	78,450	3,829	16,417	
OEPEC countries, total (included above)	493,474	73,939	67,824	1,122	1,876	3,038	479	419,535	
Tax haven countries, total (included above)	—	—	—	—	—	—	—	—	

Footnotes at end of table.

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources							Foreign tax credits computed		
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
<b>Petroleum (including integrated) and coal products</b>												
All geographic areas, total	15	311,401,958	18,188,438	7,739,022	7,071,083	16,000,128	2,903,559	4,177,618	829,025	3,129,161	7,072,410	—
Canada	10	308,322,541	17,541,852	7,530,014	7,011,552	15,983,541	2,880,768	4,128,730	813,911	3,122,059	7,012,880	—
Latin America, total	12	310,267,882	18,128,710	7,715,257	7,071,028	15,999,980	2,903,556	4,177,587	829,025	3,128,891	7,072,355	—
Brazil	8	306,327,564	17,447,727	7,491,202	7,004,098	15,561,898	2,880,199	4,125,072	813,911	3,118,830	7,005,426	—
Ecuador	7	283,939,652	16,675,565	7,243,568	6,996,305	15,491,984	2,859,314	4,113,147	791,593	3,111,529	6,987,933	—
Panama (including Canal Zone)	6	255,942,563	16,174,388	6,925,055	6,544,303	14,550,584	2,346,116	4,066,865	730,429	3,057,525	6,545,631	—
Venezuela	9	307,878,363	17,534,816	7,526,787	7,011,548	15,983,507	2,880,762	4,128,730	813,911	3,122,059	7,012,876	—
Other Western Hemisphere, total	9	264,171,988	16,632,504	7,122,440	6,531,076	14,782,058	2,396,753	4,126,929	751,316	3,062,159	6,832,403	—
The Bahamas	6	255,942,563	16,174,388	6,925,055	6,544,303	14,550,584	2,346,116	4,066,865	730,429	3,057,525	6,545,631	—
Netherlands Antilles	5	233,554,651	15,402,226	6,677,422	6,526,509	14,480,670	2,325,230	4,054,940	708,111	3,050,225	6,527,807	—
Europe, total	11	309,602,841	18,085,688	7,696,213	7,070,953	15,999,817	2,903,468	4,177,587	829,025	3,128,891	7,072,281	—
Austria	6	179,940,501	14,487,059	5,992,416	5,992,416	13,223,265	2,122,042	3,669,118	654,105	3,051,135	5,993,744	—
Belgium	7	283,939,652	16,675,565	7,243,568	6,996,305	15,491,984	2,859,314	4,113,147	791,593	3,111,529	6,987,933	—
Denmark	7	278,985,504	16,855,390	7,251,095	6,966,387	16,098,429	2,829,945	4,111,597	785,621	3,116,757	6,987,715	—
Luxembourg	3	138,871,871	5,433,234	2,333,656	2,274,435	5,114,214	1,019,142	1,989,227	137,489	63,624	2,274,435	—
Netherlands	11	303,602,841	18,085,688	7,696,213	7,070,953	15,999,817	2,903,468	4,177,587	829,025	3,128,891	7,072,281	—
Norway	7	300,388,236	17,209,813	7,381,761	6,977,235	15,999,817	2,903,468	4,177,587	829,025	3,128,891	7,072,281	—
Spain	7	283,939,652	16,675,565	7,243,568	6,996,305	15,491,984	2,859,314	4,113,147	791,593	3,111,529	6,987,933	—
Sweden	6	229,493,979	15,840,140	6,786,892	6,553,373	14,548,959	2,354,912	4,113,147	791,593	3,111,529	6,987,933	—
Switzerland	7	283,939,652	16,675,565	7,243,568	6,996,305	15,491,984	2,859,314	4,113,147	791,593	3,111,529	6,987,933	—
United Kingdom	11	308,002,841	18,085,688	7,696,213	7,070,953	15,999,817	2,903,468	4,177,587	829,025	3,128,891	7,072,281	—
West Germany	8	306,327,564	17,447,727	7,491,202	7,004,098	15,561,898	2,880,199	4,125,072	813,911	3,118,830	7,005,426	—
Africa, total	10	308,863,544	17,952,555	7,843,784	7,018,494	15,858,241	2,881,076	4,128,730	813,911	3,128,891	7,019,822	—
Liberia	6	234,970,915	11,920,325	5,198,698	5,037,442	11,247,285	2,394,595	2,917,021	791,593	2,032,627	5,038,770	—
South Africa (including Namibia)	4	241,044,778	15,727,229	6,822,448	6,560,823	14,570,568	2,355,475	4,050,147	713,899	3,054,829	6,562,151	—
Asia, total	12	310,060,742	18,115,025	7,709,717	7,071,005	15,999,930	2,903,468	4,177,618	829,025	3,129,161	7,072,332	—
Hong Kong	5	233,554,651	15,402,226	6,677,422	6,526,509	14,480,670	2,325,230	4,054,940	708,111	3,050,225	6,527,807	—
Indonesia	8	301,127,533	17,342,927	7,434,220	7,029,694	15,635,186	2,872,910	4,172,380	823,253	3,117,425	7,031,022	—
Japan (including Okinawa and Ryukyus)	9	301,818,363	17,534,816	7,526,787	7,011,548	15,983,507	2,880,762	4,128,730	813,911	3,122,059	7,012,876	—
Philippines	8	306,327,564	17,447,727	7,491,202	7,004,098	15,561,898	2,880,199	4,125,072	813,911	3,118,830	7,005,426	—
Oceania, total	10	308,863,544	17,952,555	7,843,784	7,018,494	15,858,241	2,881,076	4,128,730	813,911	3,128,891	7,019,822	—
Australia	7	261,881,891	16,412,302	7,034,495	6,571,167	14,618,873	2,375,798	4,058,414	736,201	3,056,930	6,572,494	—
Puerto Rico and U.S. Possessions, total	10	308,002,841	18,085,688	7,696,213	7,070,953	15,999,817	2,903,468	4,177,587	829,025	3,128,891	7,072,281	—
OEPEC countries, total (included above)	10	308,863,544	17,952,555	7,843,784	7,018,494	15,858,241	2,881,076	4,128,730	813,911	3,128,891	7,019,822	—
Tax haven countries, total (included above)	12	310,060,742	18,115,025	7,709,717	7,071,005	15,999,930	2,903,468	4,177,618	829,025	3,129,161	7,072,332	—

Footnotes at end of table.

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income					Income and taxes from specific geographic area or country			Taxable income (less loss) before loss recapture			
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Total	Foreign branch income	Specially allocable income (Section 853(b))	Other than from branch operations and specially allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Petroleum (including integrated) and coal products</b>												
All geographic areas, total	18,941,529	7,274,064	4,177,818	887,807	6,822,041	14,830,925	6,802,704	5,099,823	16,000,128	3,813,694	47,609	12,138,826
Canada	5,586,315	1,998,392	1,750,301	76,983	1,760,639	3,113,503	1,807,084	411,518	3,958,538	179,850	354	3,778,331
Latin America, total	1,578,870	595,871	109,068	116,082	755,689	1,053,444	862,020	699,843	778,693	62,195	-352	714,850
Brazil	78,445	45,738	30,848	551	693	57	12,782	508	66,335	2,673	—	63,662
Ecuador	162,680	146,960	—	20	15,700	73,043	142,895	71,385	25,290	5,506	(1)	19,784
Panama (including Canal Zone)	262,695	230,485	11,276	5,091	15,933	143	28,821	—	238,907	1,008	6	233,915
Venezuela	16,850	9,851	6,802	3,872	-1,665	-9,306	36,506	5,213	-6,822	11,023	—	-17,646
Other Western Hemisphere, total	482,559	340,486	34,858	95,310	12,178	43	56,541	1,800	428,887	3,389	—	428,018
The Bahamas	98,633	48,087	20,810	20,775	8,950	—	22,504	1,600	78,354	2,225	—	76,129
Netherlands Antilles	71,494	58,614	12,238	1	643	—	13,041	—	57,571	-882	—	58,453
Europe, total	6,297,552	3,080,640	1,874,254	402,653	1,139,805	4,951,583	1,744,378	1,288,093	6,057,604	1,503,695	938	4,553,174
Austria	162,966	116,849	45,432	—	684	69,269	—	22	160,125	5	—	160,120
Belgium	678,927	290,599	144,261	1,094	140,673	—	217,383	—	473,855	114,078	233	359,543
Denmark	128,723	39,134	8,724	678	79,187	95,788	84,676	134,996	54,306	10,260	—	44,046
Luxembourg	773	—	—	—	773	—	—	—	773	—	—	776
Netherlands	849,798	371,703	199,862	12,909	265,324	619,619	205,777	46,781	691,461	53,440	—	644,021
Norway	289,793	8,799	3,691	113,116	164,187	1,261,434	207,746	844,568	935,522	853,476	—	82,047
Sweden	20,388	5,149	52	44	15,143	60,382	30,605	64,007	7,648	17,484	—	-10,416
Switzerland	58,581	16,280	18,123	—	24,177	—	—	90	54,834	851	—	53,793
United Kingdom	58,814	36,225	19,195	848	2,948	—	5,507	—	53,416	75	34	53,307
West Germany	3,254,167	1,638,938	897,112	269,675	448,475	2,485,452	747,038	358,899	2,948,462	438,096	226	2,507,130
Other Western Hemisphere, total	719,124	466,912	309,626	1,368	-58,782	363,058	106,797	18,204	618,775	8,448	—	610,327
Africa, total	1,646,179	285,697	103,732	35,709	1,421,042	2,548,439	688,580	733,751	1,825,673	847,687	387	1,177,599
Liberia	31,836	29,775	612	751	698	-185	27,300	26,360	4,527	—	—	4,527
South Africa (including Namibia)	93,931	66,697	3,876	—	23,357	(1)	2,682	144	91,697	61	387	91,249
Asia, total	2,659,013	914,771	482,326	49,349	1,208,568	1,909,742	1,345,522	948,128	2,419,779	1,066,780	43,507	1,309,491
Hong Kong	91,450	52,497	7,973	12	30,988	—	13,947	—	200,682	123,257	2	77,503
Indonesia	787,762	454,353	278,664	166	47,579	896,983	349,193	229,541	1,232,906	781,336	—	431,569
Japan (including Okinawa and Ryukyus)	326,780	130,509	148,111	383	47,798	5,780	45,712	8,940	498,148	170,700	43,738	281,068
Philippines	5,068	(1)	—	1,343	3,726	2,325	8,006	3,120	-8,792	-3,831	-23	-2,938
Oceania, total	182,893	32,355	12,770	20,473	117,287	1,251,835	123,267	958,913	438,011	378,021	2,395	59,888
Australia	134,219	12,642	8,031	11,071	96,475	1,251,835	108,531	953,360	411,092	385,408	—	25,688
Puerto Rico and U.S. Possessions, total	69,396	21,935	10,584	1,179	35,679	107	33,175	47,027	57,548	20,945	84	38,222
OEPEC countries, total (included above)	2,224,459	885,987	372,155	19,422	968,885	2,190,358	1,419,259	792,300	1,908,702	1,101,417	88	885,500
Tax haven countries, total (included above)	2,175,539	1,254,900	331,424	190,629	391,187	667,719	397,822	76,874	1,864,484	186,887	60	1,777,217

Footnotes at end of table

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Total	Foreign taxes paid or accrued and deemed paid before reduction						
		Paid or deemed						
		Total	Tax withheld at source on		Other taxes paid or accrued on		Deemed paid	
(25)	(26)	Dividends	Interest	Rent, royalties and license fees	Branch income	Other income	(28)	
<b>Petroleum (including integrated) and coal products</b>								
All geographic areas, total	7,081,177	2,903,559	642,871	36,308	9,817	1,684,089	550,474	4,177,818
Canada	2,247,826	497,525	352,119	1,707	799	30,004	112,897	1,750,301
Latin America, total	284,007	174,939	38,568	2,323	1,417	50,317	82,314	109,068
Brazil	42,311	11,382	8,943	—	—	—	2,252	30,648
Ecuador	17,368	17,968	2,921	148	21	32	-1,306	—
Panama (including Canal Zone)	11,294	10,637	8,835	—	—	16,321	-627	—
Venezuela	19,857	36,922	2,337	102	—	187	—	11,276
Other Western Hemisphere, total	20,913	14,368	102	102	—	2,231	4	6,802
The Bahamas	13,368	2,132	—	—	—	—	—	—
Netherlands Antilles	2,574,909	900,855	200,048	30,051	1,179	642,601	128,778	34,685
Austria	51,319	5,867	—	—	—	—	—	20,810
Belgium	161,230	16,689	8,825	—	—	—	—	12,238
Denmark	49,825	40,101	16,183	—	—	—	—	—
Luxembourg	—	—	—	—	—	—	—	—
Netherlands	849,798	371,703	199,862	12,909	265,324	619,619	205,777	1,874,254
Norway	289,793	8,799	3,691	113,116	164,187	1,261,434	207,746	844,568
Sweden	20,388	5,149	52	44	15,143	60,382	30,605	64,007
Switzerland	58,581	16,280	18,123	—	24,177	—	—	90
United Kingdom	58,814	36,225	19,195	848	2,948	—	5,507	—
West Germany	3,254,167	1,638,938	897,112	269,675	448,475	2,485,452	747,038	358,899
Africa, total	1,241,397	344,284	662	—	—	788	305,679	35,464
Liberia	356,965	47,339	76,942	—	—	1,851	—	3,691
South Africa (including Namibia)	884,432	366,945	585,342	—	—	—	—	199,862
Asia, total	528,875	422,943	13,653	403	60	284,422	144,408	3,691
Hong Kong	850	38	—	—	—	—	—	—
Indonesia	1,148,848	897,762	410,482	8,677	—	—	—	18,123
Japan (including Okinawa and Ryukyus)	7,993	668,522	32,253	—	51	—	—	822
Philippines	889,146	20	—	—	—	—	—	19,195
Oceania, total	169,847	21,735	—	1,350	—	5,018	10	897,112
Australia	134,219	12,642	8,031	11,071	96,475	1,251,835	108,531	953,360
Puerto Rico and U.S. Possessions, total	244,237	231,468	2,305	475	1,186	221,583	144	372,155
OEPEC countries, total (included above)	236,360	228,329	230	—	—	—	—	372,155
Tax haven countries, total (included above)	17,877	7,093	3,823	475	102	221,583	5,939	1,101,417
Total	1,114,130	741,875	8,199	219	67	648,191	144	1,084
Footnotes at end of table	411,439	72,918	21,210	—	—	15,609	87,117	372,155

Footnotes at end of table

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources							Foreign tax credit computed		
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Primary metal industries</b>												
All geographic areas, total	31	43,382,138	708,294	289,022	119,105	428,287	30,182	118,854	—	47,024	119,105	—
Canada	18	40,459,997	541,427	238,491	114,969	405,327	28,678	115,816	—	32,701	114,969	—
Latin America, total	14	41,284,285	529,222	230,786	112,157	409,373	29,285	112,325	—	46,522	112,157	—
Brazil	6	32,684,197	110,853	42,325	33,081	226,072	16,511	36,490	—	10,608	33,081	—
Panama (including Canal Zone)	3	36,132,523	314,528	137,254	61,097	277,329	19,851	50,425	—	21,055	61,097	—
Venezuela	4	36,293,950	310,543	138,190	62,024	281,866	20,299	64,284	—	28,958	62,024	—
Other Western Hemisphere, total	5	37,052,002	365,470	162,537	73,839	308,383	25,608	70,781	—	28,558	73,839	—
Europe, total	27	41,853,523	622,443	281,770	113,858	413,692	28,759	113,998	—	32,701	113,858	—
Belgium	7	37,607,162	347,564	149,969	65,905	300,933	21,652	65,985	—	29,655	65,905	—
France (including Andorra)	9	38,717,147	446,462	172,207	89,396	308,867	21,671	69,090	—	30,152	69,386	—
Italy (including San Marino)	7	37,349,525	371,818	182,025	60,213	292,177	20,722	67,678	—	30,170	66,213	—
Netherlands	7	37,712,889	403,689	176,747	77,238	315,944	26,035	73,390	—	30,170	77,238	—
Spain	7	37,085,193	354,995	154,109	66,524	292,213	21,081	65,333	—	30,867	66,524	—
Sweden	4	35,189,243	262,464	113,423	47,294	246,122	17,484	52,494	—	29,673	47,294	—
Switzerland	7	37,590,635	385,030	156,806	66,970	303,138	21,250	67,752	—	29,454	66,970	—
United Kingdom	17	39,813,173	489,990	203,465	82,717	341,036	27,842	76,341	—	32,701	82,717	—
West Germany	10	35,375,269	494,497	216,290	109,170	400,543	27,611	111,198	—	30,170	109,170	—
Africa, total	8	37,231,154	368,614	157,402	65,139	296,540	24,188	62,440	—	30,867	65,139	—
South Africa (including Namibia)	8	37,231,154	368,614	157,402	65,139	296,540	24,188	62,440	—	30,867	65,139	—
Asia, total	19	42,129,618	662,008	288,002	113,868	414,538	28,785	115,978	—	37,224	113,868	—
Hong Kong	4	37,082,943	379,129	166,885	90,818	345,780	20,705	96,744	—	21,055	90,818	—
Indonesia	4	35,967,719	316,423	137,103	59,121	269,540	22,624	54,394	—	22,689	59,121	—
Philippines	4	36,223,770	316,761	138,072	62,199	290,115	23,059	60,445	—	21,752	62,199	—
Oceania, total	10	39,736,874	487,287	217,320	109,813	399,925	27,854	107,551	—	22,964	109,813	—
Australia	10	39,736,874	487,287	217,320	109,813	399,925	27,854	107,551	—	22,964	109,813	—
Puerto Rico and U.S. Possessions, total	6	37,425,440	393,773	171,204	90,359	355,645	24,230	98,111	—	28,358	90,359	—
OECD countries, total (included above)	8	37,425,440	393,773	171,204	90,359	355,645	24,230	98,111	—	28,358	90,359	—
Non-OECD countries, total (included above)	6	37,425,440	393,773	171,204	90,359	355,645	24,230	98,111	—	28,358	90,359	—
Tax haven countries, total (included above)	10	39,370,310	488,879	212,778	109,182	400,593	27,985	111,216	—	30,170	109,182	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country										Taxable income (less loss) before loss recapture									
	Gross income (less loss) excluding branch operations and specially allocable income					Other					Total	Foreign branch income	Specially allocable income (Section 8330)	Other than branch operations and specially allocable income						
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from all oil and gas extraction income	(13)	(14)					(15)	(16)	(17)	(18)	(19)	(20)
<b>Primary metal industries</b>																				
All geographic areas, total	873,470	273,259	118,854	12,042	269,315	—	276,888	—	426,287	7,349	22,335	396,582	—	—	—	—	—	—	—	—
Canada	114,172	27,859	19,809	4,854	81,850	—	45,865	—	77,842	7,547	1,988	68,307	—	—	—	—	—	—	—	—
Latin America, total	78,353	11,041	2,011	1,888	64,112	—	68,532	—	12,915	112	1,002	11,800	—	—	—	—	—	—	—	—
Brazil	3,563	882	713	—	2,570	—	159	—	435	—	24	270	—	—	—	—	—	—	—	—
Panama (including Canal Zone)	7,168	4,588	—	—	1,967	—	86,532	—	7,012	112	3	6,599	—	—	—	—	—	—	—	—
Venezuela	616	—	—	—	616	—	—	—	131	—	13	134	—	—	—	—	—	—	—	—
Other Western Hemisphere, total	52,381	51,851	438	34	41	—	77,187	—	51,511	—	57	51,454	—	—	—	—	—	—	—	—
Europe, total	219,835	82,780	33,147	3,458	80,252	—	141,925	—	141,925	—	1,728	140,197	—	—	—	—	—	—	—	—
Belgium	2,247	—	—	—	12,345	—	2,257	—	—	—	—	—	—	—	—	—	—	—	—	—
France (including Andorra)	16,103	1,337	53,747	359	7,591	—	5,574	—	—	—	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino)	7,251	—	1,336	—	1,888	—	2,257	—	—	—	—	—	—	—	—	—	—	—	—	—
Netherlands	61,791	31,332	28,195	—	1,888	—	141,925	—	—	—	—	—	—	—	—	—	—	—	—	—
Spain	5,202	—	—	—	1,888	—	2,257	—	—	—	—	—	—	—	—	—	—	—	—	—
Sweden	6,638	—	—	—	1,888	—	2,257	—	—	—	—	—	—	—	—	—	—	—	—	—
Switzerland	38,759	27,285	11,541	379	5,153	—	3,805	—	—	—	—	—	—	—	—	—	—	—	—	—
United Kingdom	49,181	14,179	5,107	15	2,042	—	1,980	—	—	—	—	—	—	—	—	—	—	—	—	—
West Germany	25,824	5,021	3,614	406	14,783	—	3,065	—	—	—	—	—	—	—	—	—	—	—	—	—
Africa, total	3,539	1,492	97	205	1,745	—	1,824	—	—	—	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia)	3,160	1,492	97	205	1,745	—	1,824	—	—	—	—	—	—	—	—	—	—	—	—	—
Asia, total	110,572	42,173	35,438	1,820	1,365	—	1,585	—	—	—	—	—	—	—	—	—	—	—	—	—
Hong Kong	13,500	11,059	1,985	6	510	—	23,609	—	—	—	—	—	—	—	—	—	—	—	—	—
Indonesia	1,122	428	—	—	907	—	4,945	—	—	—	—	—	—	—	—	—	—	—	—	—
Philippines	35,776	8,923	7,189	178	19,982	—	6,667	—	—	—	—	—	—	—	—	—	—	—	—	—
Oceania, total	36,228	8,923	7,189	127	19,161	—	6,245	—	—	—	—	—	—	—	—	—	—	—	—	—
Australia	35,776	8,923	7,189	127	19,161	—	6,245	—	—	—	—	—	—	—	—	—	—	—	—	—
Puerto Rico and U.S. Possessions, total	48,489	48,857	897	—	755	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
OECD countries, total (included above)	1,776	95	—	—	1,680	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-OECD countries, total (included above)	178,695	128,896	42,728	188	6,888	—	46,015	—	—	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							Deemed paid
	Total	Foreign taxes paid or accrued and deemed paid before reduction						
		Paid or accrued						
		Tax withheld at source on			Other taxes paid or accrued on			
(25)	(26)	Dividends (27)	Interest (28)	Rents, royalties and license fees (29)	Branch income (30)	Other income (31)	(32)	
<b>Primary metal industries</b>	149,038	30,182	12,859	367	11,273	4,359	1,295	118,654
<b>All geographic areas, total</b>	29,245	9,836	1,968	83	3,280	4,056	131	16,609
<b>Canada</b>	7,361	5,349	2,093	83	2,261	150	762	2,011
<b>Latin America, total</b>	1,339	626	—	—	—	23	—	713
Brazil	12	12	—	—	—	—	—	—
Panama (including Canal Zone)	36	36	—	—	—	—	—	—
Venezuela	436	—	—	—	594	—	—	436
<b>Other Western Hemisphere, total</b>	61,121	7,984	7,153	54	75	3	180	53,147
<b>Europe, total</b>	54	54	—	—	—	—	—	1,336
Belgium	1,411	29	—	—	—	—	—	—
France (including Andorra)	29	3,589	3,589	—	—	—	—	—
Italy (including San Marino)	31,704	392	—	—	—	—	—	28,195
Netherlands	97	6	—	—	—	—	—	—
Spain	11,977	436	2,318	—	—	—	—	97
Sweden	7,634	2,926	—	—	—	—	—	—
Switzerland	6,362	748	—	—	—	—	—	—
United Kingdom	614	517	221	—	—	—	—	35,438
West Germany	463	366	221	—	—	—	—	1,955
<b>Africa, total</b>	39,223	3,816	915	—	—	—	—	14
South Africa (including Namibia)	1,895	13	—	—	—	—	—	—
<b>Asia, total</b>	59	45	—	—	—	—	—	7,185
Hong Kong	59	—	—	—	—	—	—	—
Indonesia	9,478	2,311	494	—	—	—	—	857
Philippines	9,403	307	—	—	—	—	—	—
<b>Oceania, total</b>	1,164	443	—	—	—	—	—	42,728
Australia	443	—	—	—	—	—	—	—
Puerto Rico and U.S. Possessions, total	46,737	4,071	4,048	—	—	—	—	—
<b>OPEC countries, total (included above)</b>								
<b>Tax haven countries, total (included above)</b>								

Footnotes at end of table.

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Foreign tax credit computed	
											Return reduction for international boycott operations	Reduction for international boycott operations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>Machinery, except electrical</b>												
<b>All geographic areas, total</b>	235	113,673,993	6,434,272	3,804,393	3,092,438	5,599,648	798,480	2,629,754	116	96,749	3,092,447	11
<b>Canada</b>	110	109,823,289	6,091,673	3,451,005	3,075,806	5,532,305	793,582	2,615,496	116	94,638	3,075,818	11
<b>Latin America, total</b>	80	105,328,166	7,641,517	3,445,815	3,058,189	5,466,507	789,856	2,603,630	116	89,144	3,058,198	11
Brazil	26	96,449,149	7,073,466	3,189,668	3,019,666	5,358,283	773,726	2,779,416	—	87,210	3,019,677	11
Ecuador	7	73,694,477	5,905,525	2,689,328	2,643,271	8,155,358	695,135	2,448,861	—	41,369	2,643,291	11
Mexico	34	100,391,879	7,167,348	3,237,800	2,996,701	5,313,617	775,204	2,763,588	116	82,254	2,968,742	11
Panama (including Canal Zone)	9	72,408,984	6,114,127	2,783,924	2,703,030	8,374,126	694,058	2,466,475	—	73,048	2,703,041	11
Venezuela	13	90,408,950	6,592,059	2,999,938	2,875,480	8,964,936	762,908	2,662,208	—	51,045	2,875,490	11
<b>Other Western Hemisphere, total</b>	12	91,255,849	6,515,275	2,962,843	2,905,274	9,060,608	756,447	2,684,359	—	77,840	2,905,285	11
The Bahamas	7	73,694,477	5,905,525	2,689,328	2,643,271	8,155,358	695,135	2,448,861	—	41,369	2,643,261	11
Bonair	8	78,046,941	6,325,525	2,979,309	2,856,743	8,378,367	739,033	2,677,615	—	36,411	2,856,745	2
Netherlands Antilles	8	84,632,339	6,473,164	2,943,272	2,891,007	8,948,121	744,743	2,675,626	—	63,042	2,891,018	11
<b>Europe, total</b>	86	109,368,932	7,066,854	3,593,981	3,088,183	9,559,809	795,533	2,625,773	—	95,799	3,088,203	11
Austria	11	86,876,884	6,610,309	3,009,293	2,862,068	8,814,597	747,528	2,664,482	—	41,369	2,862,079	11
Belgium	22	93,909,412	6,951,589	3,136,174	2,962,325	9,088,847	770,577	2,740,915	—	51,896	2,962,346	11
Denmark	10	88,823,255	6,533,727	2,972,040	2,876,088	8,873,065	753,305	2,672,724	—	41,369	2,876,099	11
France (including Andorra)	27	100,399,824	7,266,625	3,285,655	3,018,605	9,365,542	783,270	2,770,101	—	83,199	3,018,619	11
Italy (including San Marino)	24	87,540,930	7,116,164	3,207,129	2,997,288	9,333,961	781,017	2,751,801	—	79,301	2,997,308	11
Netherlands	27	97,599,534	7,144,400	3,222,178	3,010,095	9,318,811	780,517	2,764,389	—	81,897	3,010,106	11
Norway	12	81,827,817	6,649,321	2,996,839	2,905,240	9,063,832	753,976	2,717,856	—	33,047	2,905,243	2
Spain	11	71,493,760	6,987,300	2,954,298	2,832,407	8,793,466	720,863	2,684,208	—	77,840	2,832,506	11
Sweden	17	93,986,371	6,880,585	3,100,106	2,976,025	9,242,982	768,115	2,742,733	—	72,214	2,976,036	11
Switzerland	22	84,974,329	7,048,102	3,183,268	2,992,530	9,069,831	774,577	2,726,990	—	45,448	2,992,530	11
United Kingdom	54	104,374,778	7,550,703	3,803,776	3,062,250	9,469,597	781,315	2,817,013	—	90,721	3,062,251	11
West Germany	45	103,275,144	7,511,189	3,888,714	3,031,506	9,400,039	788,006	2,779,354	—	86,746	3,031,517	11
<b>Africa, total</b>	45	98,229,966	7,213,970	3,251,840	3,032,963	9,394,258	784,535	2,761,223	—	85,650	3,032,973	11
South Africa (including Namibia)	34	80,714,028	7,026,109	3,189,149	2,891,234	9,033,809	743,509	2,747,777	—	85,465	2,891,245	11
<b>Asia, total</b>	121	107,994,871	7,673,859	3,597,423	3,062,650	9,504,399	792,138	2,804,326	116	92,582	3,062,661	11
Hong Kong	16	87,793,565	6,741,973	3,066,367	2,912,702	9,073,986	760,767	2,687,570	—	69,294	2,912,802	11
Indonesia	5	55,352,086	5,687,224	2,509,227	2,559,569	7,699,787	639,476	2,397,574	—	51,045	2,559,578	8
Japan (including Okinawa and Ryukyu)	100	105,590,962	7,763,181	3,500,887	3,050,627	9,469,099	780,619	2,803,110	116	92,027	3,050,637	11
Philippines	14	81,925,076	6,368,222	2,893,512	2,842,036	8,533,153	711,519	2,651,149	—	54,042	2,842,047	11
<b>Oceania, total</b>	71	102,131,432	7,476,132	3,389,789	3,043,239	9,426,583	788,046	2,788,655	—	89,957	3,043,249	11
Australia	67	101,507,623	7,383,176	3,327,038	3,021,187	9,374,147	786,213	2,768,178	—	89,957	3,021,198	11
<b>Puerto Rico and U.S. Possessions, total</b>	14	82,376,973	6,722,432	3,035,502	2,681,072	6,822,763	757,435	2,676,801	—	45,923	2,681,083	11
<b>OPEC countries, total (included above)</b>	16	95,069,838	6,803,074	3,111,681	2,967,852	9,214,705	776,927	2,728,459	—	77,640	2,967,863	11
<b>Tax haven countries, total (included above)</b>	43	103,328,994	7,594,702	3,427,358	3,066,242	9,489,433	787,337	2,810,821	—	92,050	3,066,252	11

Footnotes at end of table.

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 13 columns: Selected industry and selected country and IC-DISC and FSC dividends; Income and taxes from specific geographic area or country; Taxable income (less loss) before less recapture. Rows include Machinery, except electrical; All geographic areas, total; Canada; Latin America, total; Brazil; Ecuador; Mexico; Panama (including Canal Zone); Venezuela; Other Western Hemisphere, total; The Bahamas; Bermuda; Netherlands Antilles; Europe, total; Austria; Belgium; Denmark; France (including Andorra); Italy (including San Marino); Netherlands; Norway; Spain; Sweden; Switzerland; United Kingdom; West Germany; Africa, total; South Africa (including Namibia); Asia, total; Hong Kong; Indonesia; Japan (including Okinawa and Ryukyu); Philippines; Oceania, total; Australia; Puerto Rico and U.S. Possessions, total; OPEC countries, total (included above); Tax haven countries, total (included above).

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 10 columns: Selected industry and selected country and IC-DISC and FSC dividends; Income and taxes from specific geographic area or country—Continued; Foreign taxes paid or accrued and deemed paid before reduction; Paid or accrued; Tax withheld at source on; Other taxes paid or accrued on; Deemed paid. Rows include Machinery, except electrical; All geographic areas, total; Canada; Latin America, total; Brazil; Ecuador; Mexico; Panama (including Canal Zone); Venezuela; Other Western Hemisphere, total; The Bahamas; Bermuda; Netherlands Antilles; Europe, total; Austria; Belgium; Denmark; France (including Andorra); Italy (including San Marino); Netherlands; Norway; Spain; Sweden; Switzerland; United Kingdom; West Germany; Africa, total; South Africa (including Namibia); Asia, total; Hong Kong; Indonesia; Japan (including Okinawa and Ryukyu); Philippines; Oceania, total; Australia; Puerto Rico and U.S. Possessions, total; OPEC countries, total (included above); Tax haven countries, total (included above).

Footnotes at end of table.

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Income and taxes from all sources				Foreign tax credit computed	
							Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Electrical and electronic equipment</b>												
<b>All geographic areas, total</b>	153	213,402,444	8,052,423	3,558,671	1,498,135	5,458,841	270,267	1,024,914	379	309,884	1,498,155	19
<b>Canada</b>	79	201,050,733	7,297,823	3,220,840	1,432,093	5,246,470	244,058	991,599	—	302,672	1,432,112	19
<b>Latin America, total</b>	43	194,920,317	8,972,382	3,074,443	1,406,234	5,133,044	246,491	958,541	—	295,493	1,406,233	19
Brazil	19	146,117,507	3,534,148	1,392,548	505,490	1,678,883	154,810	309,174	—	101,802	505,499	19
Ecuador	7	120,880,803	1,791,983	614,690	197,500	862,729	100,832	79,485	—	50,344	197,500	—
Mexico	30	193,083,507	5,530,627	2,613,271	1,380,020	4,082,059	210,133	945,732	—	294,262	1,380,029	19
Panama (including Canal Zone)	9	128,437,398	1,941,661	674,232	197,259	820,891	84,710	95,641	—	91,911	197,259	19
Venezuela	16	168,581,787	4,494,056	2,101,182	1,139,978	4,432,650	191,746	740,070	—	281,669	1,139,979	19
<b>Other Western Hemisphere, total</b>	15	187,946,958	4,431,558	2,067,308	1,279,705	4,711,480	199,008	676,547	2	293,554	1,279,705	—
The Bahamas	7	149,024,302	3,361,029	1,599,097	993,292	4,001,386	152,675	533,741	—	280,038	993,292	—
Bermuda	5	111,739,491	1,913,028	697,684	291,419	1,004,466	83,203	207,722	—	2,840	291,419	—
Netherlands Antilles	10	142,706,538	3,596,048	1,722,631	1,120,835	4,311,882	159,202	781,072	2	212,703	1,120,835	—
<b>Europe, total</b>	97	204,288,651	7,278,710	3,215,077	1,481,063	5,376,846	259,068	1,018,314	379	309,117	1,481,062	19
Austria	16	143,678,105	3,890,619	1,857,971	1,183,288	4,561,547	177,534	827,726	—	213,520	1,183,288	—
Belgium	23	179,156,821	4,866,042	2,269,922	1,238,831	4,661,858	215,844	868,913	—	284,637	1,238,831	19
Denmark	11	106,527,034	4,354,714	2,048,132	1,147,397	4,508,690	190,713	752,786	—	282,341	1,147,397	19
France (including Andorra)	41	191,512,532	6,548,369	2,897,394	1,436,442	5,215,926	246,040	982,890	—	301,496	1,436,441	19
Italy (including San Marino)	29	184,115,325	5,592,519	2,499,427	1,403,326	5,146,190	254,807	964,023	—	297,894	1,403,326	19
Luxembourg	28	179,459,974	5,300,534	2,458,825	1,357,135	5,002,429	225,557	928,459	—	279,488	1,357,135	—
Netherlands	19	153,973,683	3,670,940	1,741,793	1,133,672	4,334,121	172,853	755,125	—	288,922	1,133,672	19
Norway	18	144,472,213	3,470,266	1,385,488	554,158	1,768,624	157,329	391,851	—	103,286	554,158	19
Spain	18	176,227,593	4,702,862	2,197,288	1,260,699	4,802,282	211,873	845,110	—	281,775	1,260,699	19
Sweden	21	171,043,791	4,759,959	2,219,315	1,241,861	4,716,549	201,421	850,876	—	282,376	1,241,861	19
Switzerland	21	171,043,791	4,759,959	2,219,315	1,241,861	4,716,549	201,421	850,876	—	282,376	1,241,861	19
United Kingdom	69	183,622,491	5,980,309	2,765,117	1,452,451	5,298,449	247,203	1,000,015	379	303,071	1,452,451	19
West Germany	53	188,841,095	6,381,848	2,812,013	1,444,150	5,253,326	246,901	994,242	—	303,071	1,444,150	19
<b>Africa, total</b>	22	172,815,088	4,566,075	2,132,675	1,184,605	4,587,531	203,778	772,585	—	285,133	1,184,605	19
Liberia	4	121,398,488	1,717,765	582,403	234,141	845,095	87,794	122,617	—	67,048	234,141	—
South Africa (including Namibia)	17	167,172,663	4,234,719	1,951,596	1,195,367	4,397,597	190,062	705,661	—	282,557	1,195,366	19
<b>Asia, total</b>	92	199,501,677	7,253,982	3,204,560	1,471,878	5,385,855	262,178	1,007,013	2	306,263	1,471,877	19
Hong Kong	20	162,792,784	4,591,337	2,157,193	1,263,240	4,799,004	205,917	853,769	—	290,669	1,263,240	19
Indonesia	7	107,330,650	1,565,258	534,601	164,231	701,569	79,331	91,179	—	24,822	164,231	19
Japan (including Okinawa and Ryukyu)	68	196,131,924	6,896,596	3,042,131	1,458,140	5,318,016	254,693	1,001,139	—	302,902	1,458,140	19
Philippines	13	165,031,729	4,552,392	2,124,292	1,052,405	4,272,315	183,401	661,668	—	281,598	1,052,404	19
<b>Oceania, total</b>	47	166,265,658	5,111,359	2,601,905	1,428,703	5,208,298	240,582	984,102	—	286,369	1,428,722	19
Australia	42	184,675,956	5,601,743	2,597,677	1,429,630	5,207,324	240,522	984,070	—	286,369	1,428,722	19
<b>Puerto Rico and U.S. Possessions, total</b>	19	180,638,230	5,748,052	2,540,451	1,338,747	4,840,709	208,128	921,336	—	271,079	1,338,768	19
<b>OPEC countries, total (included above)</b>	24	177,631,782	4,884,875	2,276,101	1,198,091	4,838,318	206,398	781,496	—	283,401	1,198,091	19
<b>Tax haven countries, total (included above)</b>	68	196,268,020	6,341,820	2,924,010	1,447,279	5,291,414	252,917	991,504	2	302,639	1,447,298	19

Footnotes at end of table.

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country										Foreign tax credit computed	
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction other than branch operations (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Total	Foreign tax credit income	Specially allocable income (Section 863(b))	Other than from branch operations and specially allocable income
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
<b>Electrical and electronic equipment</b>												
<b>All geographic areas, total</b>	6,486,951	2,534,174	1,024,914	274,871	2,652,993	93	1,422,759	83	5,458,841	134,957	259,492	5,064,192
<b>Canada</b>	188,376	69,385	56,672	13,277	1,917,212	—	49,122	—	28,751	—	25,105	137,055
<b>Latin America, total</b>	247,594	68,487	36,520	17,612	106,924	—	51,321	—	188,836	26,676	2,779	28,135
Brazil	39,558	20,210	13,341	2,821	3,186	—	218,459	—	35,676	—	544	31,196
Ecuador	825	—	—	—	79	—	—	—	970	—	—	3,936
Mexico	45,298	20,571	10,293	1,716	12,718	—	—	—	391	—	—	535
Panama (including Canal Zone)	21,775	10,571	10,352	120	1,806	—	—	—	11,050	—	—	14,532
Venezuela	4,572	293	146	2,323	1,806	—	—	—	7,224	—	—	786
<b>Other Western Hemisphere, total</b>	142,821	109,470	11,589	18,825	2,738	—	—	—	2,354	—	—	2,216
Bermuda	21,958	3,540	11	18,066	361	—	—	—	74,489	—	—	88,132
Netherlands Antilles	22,959	12,905	8,730	62	341	—	—	—	5,856	—	—	16,102
	96,598	93,024	2,847	932	94	—	—	—	2,868	—	—	16,102
<b>Europe, total</b>	4,175,917	1,949,954	731,789	84,635	1,409,539	93	589,989	93	3,740,448	40,472	94,046	3,605,926
Austria	152,909	80,581	17,624	333	54,368	—	—	—	18,012	—	—	191
Belgium	496,883	254,755	133,302	885	107,941	—	—	—	79,078	—	—	134,896
Denmark	32,920	16,413	1,762	485	12,260	—	—	—	2,792	—	—	47,805
France (including Andorra)	130,106	18,707	19,014	2,0215	90,351	—	—	—	31,185	—	—	982
Italy (including San Marino)	501,267	297,707	81,031	1,930	120,999	93	29,767	93	52,371	—	—	30,126
Luxembourg	5,556	847	100	—	2,055	—	—	—	52,371	—	—	100,339
Netherlands	273,533	113,256	69,585	17	88,637	—	—	—	467,395	—	—	1,663
Norway	126,375	102,093	23,939	138	205	—	—	—	2,630	—	—	286
Spain	45,276	14,915	3,236	230	790	—	—	—	2,761	—	—	1,177
Sweden	22,204	13,156	4,297	1,902	2,949	—	—	—	24,290	—	—	2,476
Switzerland	233,904	130,124	43,849	57,789	466,750	—	—	—	42,442	—	—	1,985
United Kingdom	12,902	6,585	3,182	209	7,722	—	—	—	21,189	—	—	20,238
West Germany	578,310	40,589	13,182	57,789	466,750	—	—	—	211,885	—	—	1,741
	1,537,967	799,787	317,489	10,243	410,443	—	—	—	61,082	—	—	212,736
<b>Africa, total</b>	44,884	10,555	3,287	3,818	27,194	—	—	—	138,052	—	—	399,909
Liberia	7,853	1,491	—	2,848	3,514	—	—	—	28,831	—	—	16,033
South Africa (including Namibia)	9,303	3,574	2,076	924	2,729	—	—	—	4,064	—	—	3,789
<b>Asia, total</b>	1,077,787	181,713	167,461	85,710	642,902	—	—	—	5,717	—	—	3,888
Hong Kong	27,341	12,819	1,647	200	12,674	—	—	—	197,854	—	—	3,789
Indonesia	3,028	311	207	207	5,711	—	—	—	3,132	—	—	1,177
Japan (including Okinawa and Ryukyu)	851,014	97,210	161,048									

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							Deemed paid	
	Foreign taxes paid or accrued and deemed paid before reduction								
	Total	Paid or accrued					Other taxes paid or accrued on		
		Total	Tax withheld at source on			Branch income	Other income		
Dividends			Interest	Rents, royalties and license fees					
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Electrical and electronic equipment</b>									
All geographic areas, total	1,295,181	270,267	107,010	7,427	58,408	45,762	51,660	1,024,914	
Canada	80,208	23,534	6,821	684	3,789	9,131	3,149	58,672	
Latin America, total	65,150	26,629	16,210	3,255	4,139	2,284	2,742	38,520	
Brazil	22,949	9,608	6,578	720	1,007	—	—	13,341	
Ecuador	174	—	—	—	174	—	—	10,293	
Mexico	23,468	13,175	8,106	1,550	2,969	213	338	10,352	
Panama (including Canal Zone)	10,385	32	—	8	4	—	20	10,352	
Venezuela	743	595	65	370	53	7	100	145	
Other Western Hemisphere, total	12,010	421	5	—	—	—	417	11,589	
The Bahamas	11	—	—	—	—	—	—	11	
Bermuda	8,734	4	—	—	—	—	4	8,730	
Netherlands Antilles	2,914	67	5	—	—	—	62	2,847	
Europe, total	824,779	92,990	66,693	913	9,887	8,384	7,134	731,789	
Austria	17,860	236	236	—	7	—	—	17,624	
Belgium	135,361	2,059	1,707	94	—	252	15	133,302	
Denmark	1,880	117	117	—	—	—	—	1,762	
France (including Andora)	26,108	7,953	869	2	2,811	1,117	2,294	19,014	
Italy (including San Marino)	85,019	3,988	1,248	273	1,504	644	318	81,031	
Netherlands	85,227	127	127	—	—	—	—	85,100	
Luxembourg	77,855	8,280	6,849	—	—	612	619	70,995	
Norway	45,470	21,531	21,473	—	—	—	—	23,939	
Spain	5,470	2,409	2,409	86	960	1,900	1,363	4,237	
Sweden	6,077	1,780	622	—	—	1,159	—	4,849	
Switzerland	47,447	3,558	3,491	18	29	2,487	1,202	43,849	
United Kingdom	20,818	1,636	3,901	—	—	—	—	19,182	
West Germany	345,040	27,551	23,166	232	3,294	69	791	317,469	
Africa, total	5,653	2,358	1,321	5	364	18	648	3,297	
Liberia	—	—	—	—	—	—	—	—	
South Africa (including Namibia)	3,331	1,255	863	5	364	—	3	2,076	
Asia, total	255,670	68,109	12,477	1,043	37,094	20,189	16,506	167,461	
Hong Kong	743	537	12	34	186	928	179	1,647	
Indonesia	217,314	56,266	10,611	989	30,502	10,240	521	207	
Japan (including Okinawa and Ryukyus)	4,293	—	—	—	—	—	—	4,293	
Philippines	20,819	7,509	2,837	70	200	2,243	392	161,048	
Oceania, total	20,257	7,447	2,837	241	1,356	2,919	93	12,810	
Australia	23,747	109	230	230	285	2,381	19,391	1,371	
Puerto Rico and U.S. Possessions, total	8,275	7,820	313	386	241	4,489	2,491	355	
Tax haven countries, total (included above)	176,990	19,958	10,716	135	3,116	2,492	3,488	157,034	

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources							Foreign tax credit computed		
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>Motor vehicles and equipment</b>												
All geographic areas, total	51	309,132,607	4,734,956	2,103,860	591,345	2,166,987	307,409	577,362	—	2,505	591,345	(1)
Canada	30	306,077,786	4,551,180	2,020,885	583,367	2,145,222	305,961	570,897	—	1,725	583,367	(1)
Latin America, total	19	307,564,079	4,644,704	2,064,684	581,670	2,144,807	305,046	570,207	—	1,684	581,670	(1)
Brazil	6	244,612,047	3,624,574	1,615,800	531,822	1,991,411	297,474	537,159	—	—	531,822	(1)
Ecuador	4	240,298,175	3,588,698	1,586,908	529,039	1,977,054	290,771	535,554	—	1,042	529,039	(1)
Panama (including Canal Zone)	4	269,657,896	4,162,914	1,851,567	524,972	1,882,170	281,412	531,876	—	—	524,972	(1)
Venezuela	6	244,876,036	3,619,941	1,613,675	531,708	1,990,499	287,295	537,307	—	—	531,708	(1)
Other Western Hemisphere, total	5	240,924,129	3,593,144	1,597,958	529,192	1,980,517	280,838	535,640	—	1,042	529,192	(1)
Europe, total	20	307,823,290	4,617,184	2,050,211	588,968	2,157,788	302,314	577,362	—	1,945	588,968	(1)
Belgium	6	246,193,910	3,755,818	1,672,739	555,018	2,051,021	286,970	556,214	—	150	555,018	(1)
Denmark	4	238,429,173	3,552,253	1,594,059	526,196	1,969,345	278,650	535,736	—	855	526,196	(1)
France (including Andora)	10	304,064,090	4,431,066	1,968,399	576,145	2,124,856	298,994	570,925	—	1,820	576,145	(1)
Italy (including San Marino)	5	204,250,482	1,178,003	521,635	228,367	1,339,346	108,331	403,816	—	736	228,367	(1)
Netherlands	7	165,392,768	761,717	336,998	365,445	1,435,013	121,579	434,053	—	855	365,445	(1)
Luxembourg	4	152,193,256	531,936	238,583	223,174	1,310,608	104,973	401,897	—	750	223,174	(1)
Norway	5	246,679,638	3,739,370	1,654,305	554,977	1,969,345	278,650	535,736	—	736	526,196	(1)
Sweden	4	238,429,173	3,552,253	1,594,059	526,196	2,050,403	286,958	556,214	—	1,020	554,977	(1)
Switzerland	8	297,303,199	4,243,133	1,898,657	544,850	2,039,553	292,768	544,978	—	1,242	544,850	(1)
United Kingdom	15	255,114,904	3,506,227	1,737,871	580,283	2,125,890	296,390	574,350	—	1,931	580,283	(1)
West Germany	6	251,480,668	3,761,470	1,673,787	563,593	2,079,777	295,047	562,353	—	120	563,593	(1)
Africa, total	19	250,116,030	3,815,287	1,699,413	565,025	2,081,947	289,824	583,587	—	1,161	565,025	(1)
South Africa (including Namibia)	19	250,116,030	3,815,287	1,699,413	565,025	2,081,947	289,824	583,587	—	1,161	565,025	(1)
Asia, total	26	307,830,806	4,629,090	2,057,568	588,994	2,154,129	302,423	578,884	—	1,942	588,994	(1)
Hong Kong	3	160,019,965	707,417	313,734	250,067	1,387,191	112,900	420,861	—	120	250,067	(1)
Indonesia	3	245,818,424	3,697,414	1,646,005	547,372	2,030,571	283,744	551,825	—	120	547,372	(1)
Philippines	4	92,655,070	3,119,810	1,390,655	319,585	704,697	185,328	143,337	—	—	319,585	(1)
Oceania, total	15	307,439,510	4,577,633	2,035,107	580,888	2,142,503	301,995	571,722	—	1,192	580,888	(1)
Puerto Rico and U.S. Possessions, total	7	303,409,663	4,406,358	1,957,191	567,375	2,103,591	298,018	582,048	—	120	567,375	(1)
OPEC countries, total (included above)	8	254,799,998	3,832,673	1,706,377	572,395	2,100,546	297,773	566,366	—	1,161	572,395	(1)
Tax haven countries, total (included above)	11	305,451,728	4,445,109	1,983,933	583,103	2,143,021	301,144	574,620	—	1,697	583,103	(1)

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before loss recapture			
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specialty income (Section 852)(b)	Other than from branch operations and specially allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Motor vehicles and equipment</b>												
All geographic areas, total	2,324,715	1,027,111	577,362	233,365	488,877	—	600,063	—	2,168,987	-115,303	559,639	1,724,652
Canada	817,275	300,041	403,322	98,817	14,894	—	123,538	—	1,192,392	952	497,704	693,377
Latin America, total	420,456	248,135	24,916	48,479	97,825	—	71,271	—	374,824	2,436	23,004	348,184
Brazil	265,382	228,388	21,561	12,186	3,247	—	18,887	—	247,916	-229	1,421	246,495
Ecuador	1,358	—	—	4	1,352	—	913	—	—	-676	2	445
Panama (including Canal Zone)	1,188	550	211	—	425	—	644	—	587	42	2	544
Venezuela	8,869	758	26	429	7,656	—	3,709	—	6,008	411	437	5,160
Other Western Hemisphere, total	120,492	105,831	5,487	355	8,820	—	62,319	—	58,174	—	1	58,173
Europe, total	683,273	233,501	126,848	70,160	222,968	—	188,680	—	322,708	-158,400	16,515	484,583
Belgium	34,635	20,564	5,058	—	9,013	—	5,083	—	33,151	559	3,941	29,652
Denmark	18,096	9,192	7,471	1,312	91	—	13,049	—	16,285	11,158	130	5,016
France (including Andorra)	123,543	41,952	21,469	8,422	51,691	—	68,758	—	56,185	20	1,381	54,785
Italy (including San Marino)	8,539	3,872	3,326	41	1,297	—	4,034	—	4,833	15	315	4,502
Netherlands	45,818	16,793	11,988	3,845	12,992	—	5,420	—	40,304	—	105	40,198
Norway	5,145	4,087	1,023	1	35	—	676	—	6,662	2,193	397	4,469
Spain	149,268	70,559	39,611	38	39,060	—	37,847	—	114,729	2,710	37	111,621
Sweden	2,736	1,080	654	—	1,002	—	30	—	7,950	5,199	51	2,706
Switzerland	16,112	7,433	1,149	69	7,456	—	2,986	—	14,167	—	1,040	13,126
United Kingdom	118,643	16,755	6,091	52,911	42,886	—	19,683	—	-88,531	-189,317	1,426	88,960
West Germany	115,140	29,429	26,819	3,518	58,674	—	28,605	—	102,907	9,101	7,271	86,535
Africa, total	119,349	104,893	1,659	100	12,788	—	28,270	—	91,440	—	381	91,079
South Africa (including Namibia)	107,535	104,893	1,569	96	876	—	19,534	—	88,257	—	256	88,001
Asia, total	107,386	23,017	11,704	10,371	62,293	—	40,670	—	109,299	21,723	20,861	66,716
Hong Kong	75	—	—	—	75	—	—	—	16	-10	2	24
Indonesia	327	—	—	—	327	—	—	—	186	—	4	186
Philippines	341	—	—	35	306	—	—	—	156	—	2	152
Oceania, total	21,513	3,795	3,432	3,159	11,127	—	30,777	—	-4,580	3,274	1,410	-9,264
Puerto Rico and U.S. Possessions, total	57,373	105	88	132	57,050	—	44,220	—	27,925	14,764	8	13,153
OPEC countries, total (included above)	15,873	785	28	448	14,818	—	6,278	—	6,488	-1,595	486	7,587
Tax haven countries, total (included above)	176,386	130,612	18,838	5,190	21,748	—	80,382	—	137,295	7,529	21,782	108,004

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Foreign taxes paid or accrued and deemed paid before reduction							
	Total	Paid or accrued				Other taxes paid or accrued on		Deemed paid
		Total	Dividends	Interest	Rents, royalties and license fees	Branch income	Other income	
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Motor vehicles and equipment</b>								
All geographic areas, total	884,771	307,409	218,990	22,046	8,329	34,753	23,290	577,362
Canada	457,844	54,122	28,565	13,810	1,197	8,968	1,582	403,522
Latin America, total	177,463	152,547	123,541	7,884	2,792	2,521	15,809	24,916
Brazil	142,427	120,867	114,260	1,157	168	—	5,280	21,561
Ecuador	—	—	—	—	—	—	—	—
Panama (including Canal Zone)	—	225	14	—	—	—	—	—
Venezuela	836	810	152	20	263	14	95	211
Other Western Hemisphere, total	5,487	—	—	—	—	280	—	26
Europe, total	201,303	74,857	63,483	26	299	10,329	520	5,487
Belgium	7,028	1,970	1,888	—	—	—	—	—
Denmark	1,385	658	1,261	—	—	83	—	—
France (including Andorra)	23,741	2,272	2,124	—	—	124	—	5,058
Italy (including San Marino)	12,731	217	174	—	—	6	—	18
Netherlands	1,480	743	743	—	—	—	—	—
Norway	55,085	15,474	12,749	—	—	—	—	11,958
Spain	2,433	1,179	3	—	—	—	—	1,023
Sweden	2,154	1,005	1,001	—	—	—	319	39,611
Switzerland	48,749	42,659	35,679	—	—	1,776	—	654
United Kingdom	31,709	4,890	4,891	—	—	—	—	5,091
West Germany	1,720	150	70	—	—	29	—	1,149
Africa, total	1,720	150	70	—	—	81	—	1,569
South Africa (including Namibia)	1,720	150	70	—	—	61	—	1,569
Asia, total	25,868	14,164	2,743	41	3,917	5,820	1,652	11,704
Hong Kong	—	—	—	—	—	—	—	—
Indonesia	—	—	—	—	—	—	—	—
Philippines	6	—	—	—	—	—	—	—
Oceania, total	4,795	1,384	572	274	50	414	54	3,432
Puerto Rico and U.S. Possessions, total	10,491	10,405	28	—	14	8,701	3,663	86
OPEC countries, total (included above)	1,856	1,820	182	20	263	418	778	26
Tax haven countries, total (included above)	22,001	3,168	1,744	22	1	1,389	—	18,838

Footnotes at end of table.

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources								Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign tax credit deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Transportation equipment, except motor vehicles</b>												
All geographic areas, total	34	41,225,861	1,555,380	620,942	211,318	546,985	30,090	171,701	—	16,275	211,318	—
Canada	15	36,785,884	1,304,088	509,045	210,880	531,410	28,756	171,701	—	16,272	210,880	—
Latin America, total	7	38,821,305	1,387,642	535,131	200,840	516,545	27,781	154,081	—	8,541	159,488	—
Brazil	4	27,686,875	1,021,509	402,827	169,498	408,596	26,074	141,257	—	5,573	200,840	—
Mexico	3	38,821,305	1,367,642	535,131	200,840	516,545	27,781	154,081	—	8,541	159,488	—
Other Western Hemisphere, total	3	23,070,259	923,171	371,419	161,842	398,828	24,988	134,560	—	1,145	161,842	—
Europe, total	12	36,332,548	1,234,978	475,818	209,640	528,884	29,648	170,430	—	16,272	209,640	—
Austria	3	25,497,776	864,876	299,068	164,325	383,759	19,724	135,017	—	15,044	164,325	—
Belgium	3	28,025,474	1,050,707	414,821	172,937	416,605	27,676	142,993	—	8,733	172,937	—
France (including Andorra)	3	19,399,434	717,446	277,719	161,578	391,117	25,034	134,560	—	8,145	161,678	—
Italy (including San Marino)	6	26,570,009	1,057,325	419,101	170,842	406,532	26,578	142,432	—	8,145	170,842	—
Netherlands	4	26,389,692	1,048,490	415,038	170,795	405,975	26,571	142,392	—	8,145	170,795	—
Switzerland	4	28,464,201	1,052,777	415,751	173,064	422,863	27,597	142,983	—	16,165	204,361	—
United Kingdom	7	35,561,333	1,187,939	454,617	204,201	511,174	26,835	165,817	—	8,541	165,397	—
West Germany	3	30,804,062	720,242	280,243	165,397	399,332	25,243	137,998	—	8,541	165,397	—
Africa, total	3	20,804,062	720,242	280,243	165,397	399,332	25,243	137,998	—	8,541	165,397	—
South Africa (including Namibia)	3	20,804,062	720,242	280,243	165,397	399,332	25,243	137,998	—	8,541	165,397	—
Asia, total	24	36,795,185	1,440,863	568,504	206,343	529,849	28,342	168,665	—	15,973	206,343	—
Japan (including Okinawa and Ryukyus)	24	39,705,185	1,440,863	568,504	206,343	529,849	28,342	168,665	—	15,973	206,343	—
Oceania, total	7	35,288,368	1,188,482	456,126	205,835	513,824	27,832	168,665	—	15,976	205,835	—
OPEC countries, total (included above)	3	26,242,620	1,013,254	398,830	185,691	394,879	25,787	137,819	—	8,145	185,691	—
Tax haven countries, total (included above)	8	31,729,918	1,276,783	517,871	174,882	433,641	26,907	145,871	—	8,541	174,882	—
<b>Instruments and related products</b>												
All geographic areas, total	77	21,720,801	1,036,152	457,556	180,219	608,043	40,977	148,235	—	15,158	180,547	328
Canada	32	18,106,754	764,273	341,205	147,398	467,198	33,842	122,710	—	13,721	147,728	328
Latin America, total	18	18,697,733	661,987	294,564	155,610	509,713	33,784	130,608	—	12,599	158,138	328
Brazil	12	16,597,648	578,804	259,600	146,671	455,354	32,096	123,431	—	11,426	146,999	328
Mexico	11	14,282,704	497,736	221,721	114,389	352,726	26,577	98,504	—	9,967	114,716	328
Panama (including Canal Zone)	4	8,085,225	225,594	100,539	70,870	230,676	17,613	46,325	—	1,150	71,198	328
Venezuela	3	9,662,817	223,547	102,359	84,123	269,614	20,073	74,776	—	8,815	84,451	328
Other Western Hemisphere, total	8	8,441,598	228,689	101,216	63,494	213,078	15,989	40,594	—	11,150	63,822	328
Europe, total	50	20,709,855	908,685	400,145	178,541	602,906	38,651	148,114	—	14,840	178,869	328
Austria	5	6,424,905	201,086	90,866	42,722	223,129	16,737	51,410	—	9,931	72,065	328
Belgium	9	12,601,808	356,909	157,222	122,729	389,328	25,007	105,718	—	9,881	123,057	328
France (including Andorra)	17	14,953,141	432,893	169,745	149,141	404,288	33,157	121,673	—	13,150	146,469	328
Italy (including San Marino)	13	9,516,978	457,366	204,723	86,250	245,299	23,172	58,855	—	11,103	86,578	328
Netherlands	17	9,784,274	364,495	161,771	119,832	357,518	28,866	90,270	—	9,913	120,160	328
Norway	3	2,554,136	71,020	29,045	14,351	70,543	3,217	11,133	—	96,260	328	
Sweden	9	11,278,205	279,859	124,838	95,932	316,767	22,365	83,521	—	9,981	78,586	328
Switzerland	8	7,298,079	251,617	110,008	78,258	207,723	18,708	56,141	—	9,749	130,084	328
United Kingdom	23	13,470,938	410,798	183,294	129,756	441,121	27,013	113,049	—	14,628	146,228	328
West Germany	25	15,867,725	521,628	229,047	145,900	494,019	34,101	122,833	—	14,321	146,966	328
Africa, total	10	13,928,217	510,953	229,877	106,813	389,610	27,937	110,167	—	9,092	127,241	328
South Africa (including Namibia)	7	7,711,073	302,340	116,814	80,681	213,061	18,153	58,056	—	9,092	81,009	328
Asia, total	33	19,414,339	754,477	332,331	142,935	480,914	32,400	118,990	—	12,416	142,962	328
Hong Kong	7	12,300,899	339,874	153,286	109,318	372,261	25,063	95,191	—	8,815	109,646	328
Japan (including Okinawa and Ryukyus)	27	17,303,312	518,003	233,502	136,766	462,094	30,910	113,344	—	11,245	137,094	328
Oceania, total	18	17,895,437	627,316	281,228	148,127	500,834	31,909	124,661	—	13,438	146,468	328
Tax haven countries, total (included above)	14	18,297,254	808,266	378,527	189,010	624,276	42,213	110,396	—	11,103	126,338	328

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 2.—Gross Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**  
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction gross income (less loss)	Deductions other than from operations and specialty income	Deductions from operations and gas extraction income	Taxable income (less loss) before loss recapture	Foreign branch income	Specialty income (Section 853(b))	Other than from branch operations and specialty income
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
<b>Transportation equipment, except motor vehicles</b>												
All geographic areas, total	814,954	328,585	171,701	78,706	235,961	—	278,539	—	546,985	14,209	-3,639	536,415
Canada	248,184	124,425	69,164	13,782	40,613	—	31,131	—	218,258	1,149	86	217,052
Latin America, total	23,077	1,808	127	20,760	384	—	5,237	—	17,835	-6	—	17,840
Brazil	2,733	818	70	1,719	126	—	770	—	1,808	-154	—	1,952
Mexico	1,280	837	33	296	115	—	569	—	1,149	-149	—	711
Other Western Hemisphere, total	17,748	5,950	235	11,561	—	—	879	—	18,867	—	—	18,867
Europe, total	184,704	104,191	47,554	24,088	12,891	—	61,232	—	129,760	2,281	6	127,473
Austria	408	273	210	-82	7	—	36	—	934	563	—	372
Belgium	3,056	1,026	856	61	1,102	—	968	—	2,485	398	—	2,088
France (including Andorra)	4,351	203	—	2,380	1,767	—	1,506	—	4,927	-492	—	4,435
Italy (including San Marino)	15,272	8,704	6,157	213	197	—	2,968	—	12,304	—	—	12,304
Netherlands	6,981	4,942	1,907	—	—	—	961	—	6,020	—	—	6,020
Switzerland	80,558	47,038	4,107	21,412	8,001	—	27,357	—	54,677	1,675	(1)	53,201
United Kingdom	77,356	41,878	34,307	84	1,087	—	27,017	—	50,476	137	—	50,339
West Germany	40,322	—	—	40	40,282	—	11,084	—	29,238	—	—	29,238
Africa, total	158,061	6,572	8,492	2,735	140,282	—	125,778	—	39,454	7,168	4	32,282
South Africa (including Namibia)	36,885	5,900	8,367	1,361	21,257	—	13,501	—	25,115	1,727	4	23,384
Asia, total	118,675	71,338	46,130	755	453	—	25,032	—	93,751	108	—	93,643
OPEC countries, total (included above)	1,051	150	24	1,249	227	—	420	—	6,385	5,154	—	1,231
Tax haven countries, total (included above)	162,440	20,395	8,424	26,702	106,919	—	108,600	—	55,927	88	—	55,840
<b>Instruments and related products</b>												
All geographic areas, total	687,562	234,013	148,235	36,642	268,473	—	214,095	—	608,043	18,867	115,609	473,467
Canada	41,491	14,160	10,216	2,153	14,982	—	12,272	—	35,857	314	6,323	29,220
Latin America, total	39,439	32,585	19,515	1,110	6,230	—	9,719	—	55,418	1,603	4,094	49,720
Brazil	43,161	26,736	16,904	267	-646	—	3,908	—	39,516	35	226	39,255
Mexico	5,475	1,823	795	242	2,402	—	2,880	—	2,544	-319	68	2,795
Panama (including Canal Zone)	1,170	737	82	384	85	—	245	—	1,067	-141	—	926
Venezuela	1,521	737	686	-58	157							

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Interest, Rents, Royalties and license fees, Branch income, Other income, Deemed paid. Rows include Transportation equipment, instruments and related products, and various geographic areas.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Repatriation tax, Foreign tax credit claimed, Taxable income, Foreign taxes paid, Foreign taxes deemed paid, Reduction for certain foreign taxes, Carryover, Foreign tax credit computed. Rows include All other manufacturing, various geographic areas, and Puerto Rico and U.S. Possessions.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country												
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before loss recapture				
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specially allocable income (Section 809(b))	Other than from branch operations and specially allocable income	
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)		
<b>All other manufacturing</b>	<b>5,347,992</b>	<b>2,020,692</b>	<b>1,183,176</b>	<b>194,036</b>	<b>1,950,089</b>	—	—	<b>1,202,408</b>	—	<b>4,229,377</b>	<b>-62,151</b>	<b>145,944</b>	<b>4,145,584</b>
<b>All geographic areas, total</b>	<b>5,347,992</b>	<b>2,020,692</b>	<b>1,183,176</b>	<b>194,036</b>	<b>1,950,089</b>	—	—	<b>1,202,408</b>	—	<b>4,229,377</b>	<b>-62,151</b>	<b>145,944</b>	<b>4,145,584</b>
Canada	1,229,020	515,608	333,152	42,598	337,682	—	—	138,366	—	1,098,888	6,383	1,851	1,090,633
Latin America, total	515,649	273,888	122,841	19,638	93,488	—	—	138,762	—	363,423	-17,761	4,298	378,888
Brazil	224,538	143,106	67,150	4,158	10,124	—	—	41,553	—	155,735	—	142	182,979
Ecuador	7,063	2,913	768	299	3,272	—	—	2,767	—	4,390	—	85	4,296
Mexico	89,049	42,217	8,547	4,783	32,502	—	—	45,140	—	1,968	—	2,598	42,598
Panama (including Canal Zone)	39,805	20,071	16,261	423	3,051	—	—	4,525	—	33,417	—	62	33,281
Venezuela	23,459	12,676	7,098	1,335	1,750	—	—	7,388	—	16,745	—	24	16,071
<b>Other Western Hemisphere, total</b>	<b>118,443</b>	<b>96,894</b>	<b>18,999</b>	<b>1,301</b>	<b>1,338</b>	—	—	<b>17,780</b>	—	<b>101,295</b>	<b>717</b>	<b>528</b>	<b>100,882</b>
The Bahamas	12,683	10,419	46	1,137	1,091	—	—	3,256	—	8,927	-538	30	9,436
Bermuda	14,103	14,974	83	39	-993	—	—	2,244	—	11,877	4	14	11,862
Netherlands Antilles	90,808	71,412	18,869	117	416	—	—	11,578	—	79,741	—	511	79,230
<b>Europe, total</b>	<b>2,238,513</b>	<b>840,690</b>	<b>522,077</b>	<b>83,890</b>	<b>791,898</b>	—	—	<b>557,094</b>	—	<b>1,628,806</b>	<b>-66,004</b>	<b>15,091</b>	<b>1,681,419</b>
Austria	14,824	6,156	3,891	—	4,771	—	—	2,488	—	12,394	(1)	59	12,338
Belgium	80,251	17,576	7,580	1,388	53,708	—	—	34,509	—	49,454	2,654	1,158	43,642
Denmark	17,977	5,933	5,167	599	6,278	—	—	14,166	—	14,666	8	39	14,700
France (including Andorra)	216,432	64,977	57,837	3,952	89,866	—	—	51,628	—	169,522	2,346	2,373	164,804
Italy (including San Marino)	129,928	38,734	25,144	893	65,187	—	—	28,326	—	112,283	9,100	1,580	101,603
Luxembourg	27,512	12,072	9,725	—	5,715	—	—	4,654	—	22,320	11	52	22,868
Netherlands	117,811	36,282	18,486	6,006	57,017	—	—	38,909	—	80,774	-1,062	2,833	79,003
Norway	18,802	6,297	3,333	4	9,188	—	—	2,629	—	16,551	-2,248	130	16,173
Spain	57,434	20,870	9,985	13	27,567	—	—	13,870	—	29,739	-14,190	365	43,564
Sweden	66,481	31,883	20,111	1,260	13,208	—	—	11,424	—	55,284	6	220	55,038
Switzerland	198,613	88,579	21,865	570	76,605	—	—	47,999	—	167,395	—	4,122	155,014
United Kingdom	534,723	220,241	86,160	48,883	179,439	—	—	105,147	—	348,041	-81,567	31	429,577
West Germany	631,912	246,452	247,011	12,574	124,875	—	—	165,588	—	469,061	950	1,786	466,325
<b>Africa, total</b>	<b>188,105</b>	<b>28,090</b>	<b>18,833</b>	<b>1,883</b>	<b>137,508</b>	—	—	<b>78,930</b>	—	<b>107,660</b>	<b>95</b>	<b>390</b>	<b>107,175</b>
Libia	4,191	2,853	983	916	—	—	—	506	—	3,685	—	—	3,685
South Africa (including Namibia)	62,032	22,346	15,520	912	23,254	—	—	8,416	—	54,032	952	568	53,116
<b>Asia, total</b>	<b>595,128</b>	<b>130,532</b>	<b>86,755</b>	<b>7,277</b>	<b>370,584</b>	—	—	<b>132,477</b>	—	<b>468,575</b>	<b>2,952</b>	<b>2,979</b>	<b>482,850</b>
Hong Kong	72,919	28,854	4,664	822	38,580	—	—	26,687	—	48,227	—	—	48,227
Indonesia	10,506	4,516	2,868	-1,337	4,859	—	—	2,388	—	7,746	—	138	7,608
Japan (including Okinawa and Ryukyus)	350,351	41,022	60,507	4,390	244,312	—	—	54,433	—	298,680	1,890	-1,127	295,918
Philippines	37,797	17,725	9,866	517	9,693	—	—	7,089	—	30,076	-313	-260	30,708
<b>Oceania, total</b>	<b>289,414</b>	<b>90,797</b>	<b>78,304</b>	<b>5,308</b>	<b>115,007</b>	—	—	<b>66,243</b>	—	<b>224,427</b>	<b>79</b>	<b>1,178</b>	<b>223,171</b>
Australia	256,789	83,277	69,636	4,221	99,655	—	—	57,320	—	200,621	174	978	199,469
Puerto Rico and U.S. Possessions, total	35,188	3,005	2,066	4,290	25,828	—	—	14,728	—	37,316	13,428	3,428	20,460
<b>OECD countries, total (included above)</b>	<b>182,475</b>	<b>28,588</b>	<b>10,925</b>	<b>1,725</b>	<b>121,237</b>	—	—	<b>81,084</b>	—	<b>133,393</b>	<b>12,981</b>	<b>9,408</b>	<b>118,987</b>
<b>Tax haven countries, total (included above)</b>	<b>678,068</b>	<b>352,459</b>	<b>106,737</b>	<b>18,511</b>	<b>202,361</b>	—	—	<b>159,681</b>	—	<b>540,759</b>	—	—	<b>518,387</b>

Footnotes at end of table

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Total	Foreign taxes paid or accrued and deemed paid before reduction						
		Paid or accrued				Other taxes paid or accrued on		
		Dividends	Interest	Rents, royalties and license fees	Branch income	Other income	Deemed paid	
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>All other manufacturing</b>	<b>1,543,848</b>	<b>380,471</b>	<b>205,990</b>	<b>12,537</b>	<b>70,440</b>	<b>36,848</b>	<b>34,658</b>	<b>1,183,176</b>
<b>All geographic areas, total</b>	<b>1,543,848</b>	<b>380,471</b>	<b>205,990</b>	<b>12,537</b>	<b>70,440</b>	<b>36,848</b>	<b>34,658</b>	<b>1,183,176</b>
Canada	400,600	67,448	42,483	5,073	12,932	3,536	3,444	333,152
Latin America, total	238,294	115,652	68,603	3,218	14,370	14,404	15,057	122,841
Brazil	106,171	39,020	34,173	706	660	953	2,509	67,150
Ecuador	2,908	1,129	895	76	716	904	—	768
Mexico	52,567	44,020	24,217	2,132	6,083	8,561	3,048	32,502
Panama (including Canal Zone)	17,707	1,446	1,084	66	291	5	—	16,261
Venezuela	12,617	5,519	2,575	126	345	87	—	7,098
<b>Other Western Hemisphere, total</b>	<b>19,820</b>	<b>822</b>	<b>814</b>	<b>—</b>	<b>8</b>	<b>—</b>	<b>2,387</b>	<b>7,999</b>
The Bahamas	46	—	—	—	—	—	—	46
Bermuda	83	—	—	—	—	—	—	83
Netherlands Antilles	19,683	814	814	—	—	—	—	18,869
<b>Europe, total</b>	<b>630,610</b>	<b>108,533</b>	<b>76,076</b>	<b>2,789</b>	<b>12,722</b>	<b>10,785</b>	<b>6,191</b>	<b>522,077</b>
Austria	4,620	—	—	—	—	—	—	4,620
Belgium	11,094	729	559	—	118	—	51	3,891
Denmark	5,464	3,515	2,324	88	151	—	—	3,952
France (including Andorra)	64,225	298	338	—	693	—	—	60,507
Italy (including San Marino)	37,073	1,929	2,450	57	2,391	1,264	807	57,837
Luxembourg	20,010	344	344	—	4,439	2,939	1,216	25,144
Netherlands	10,969	1,524	1,505	—	—	—	—	9,725
Norway	16,811	1,332	902	—	3	—	—	16,486
Spain	21,165	7,827	3,706	1	3,022	590	17	13,208
Sweden	32,651	1,054	1,040	—	14	142	955	21,865
Switzerland	99,468	10,786	7,243	—	615	2,527	401	86,160
United Kingdom	283,854	46,843	43,585	2,552	745	2,088	1,638	247,011
<b>Africa, total</b>	<b>28,920</b>	<b>7,296</b>	<b>2,279</b>	<b>152</b>	<b>4,228</b>	<b>152</b>	<b>412</b>	<b>25,828</b>
Libia	1,231	—	—	—	—	—	—	1,231
South Africa (including Namibia)	20,823	245	150	95	—	225	—	18,511
<b>Asia, total</b>	<b>125,930</b>	<b>39,175</b>	<b>10,046</b>	<b>512</b>	<b>19,717</b>	<b>479</b>	<b>6,422</b>	<b>86,755</b>
Hong Kong	5,182	1,795	903	31	104	76	308	4,664
Indonesia	81,875	2,740	2,675	175	579	348	569	76,605
Japan (including Okinawa and Ryukyus)	14,718	21,279	7,243	2,675	12,147	45	313	11,507
Philippines	89,800	11,296	4,974	77	1,743	45	309	86,160
<b>Oceania, total</b>	<b>79,225</b>	<b>9,589</b>	<b>4,186</b>	<b>416</b>	<b>4,418</b>	<b>1,292</b>	<b>197</b>	<b>69,636</b>
Australia	8,624	7,558	4,186	313	3,605	1,292	192	78,304
<b>OECD countries, total (included above)</b>	<b>21,809</b>	<b>10,665</b>	<b>501</b>	<b>89</b>	<b>894</b>	<b>5,228</b>	<b>848</b>	<b>10,925</b>
<b>Tax haven countries, total (included above)</b>	<b>125,278</b>	<b>18,541</b>	<b>11,929</b>	<b>228</b>	<b>2,494</b>	<b>2,858</b>	<b>3,168</b>	<b>106,737</b>

Footnotes at end of table

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 13 columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources before loss recapture, Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for clean foreign taxes, Carryover, Foreign tax credit computed (Before reduction for international boycott operations, Reduction for international boycott operations).

Footnotes at end of table.

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with 14 columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Dividend growth, Interest, Other, Gross income (less loss) excluding branch operations and specialty allocable income, Oil and gas extraction (less loss) gross income (less loss), Deductions other than from branch operations and specialty allocable income, Deductions from oil and gas extraction income, Taxable income (less loss) before loss recapture (Total, Foreign branch income, Specialty allocable income (Section 963(b)), Other than from branch operations and specialty allocable income).

Footnotes at end of table.

Corporate Foreign Tax Credit, 1986

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								
	Total	Paid or accrued					Other taxes paid or accrued on		Deemed paid
		Total	Tax withheld at source on			Branch income	Other income		
			Dividends	Interest	Rents, royalties and license fees				
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Transportation and public utilities</b>									
All geographic areas, total	223,920	59,810	23,292	4,702	11,617	6,791	13,418	164,110	
Canada	77,962	13,957	8,491	210	1,048	902	3,407	64,008	
Latin America, total	19,213	12,785	1,644	1,459	1,953	2,074	2,955	6,428	
Brazil	2,641	2,638	—	1,650	822	—	166	3	
Ecuador	—	—	666	1,792	590	—	1,556	—	
Mexico	5,159	4,604	358	38	7	23	29	554	
Panama (including Canal Zone)	4,080	1,363	577	618	29	—	138	2,042	
Venezuela	3,405	—	—	—	10	—	—	20,208	
Other Western Hemisphere, total	21,325	1,119	1,087	22	—	—	—	—	
The Bahamas	22	22	—	—	—	—	—	—	
Bermuda	—	—	—	—	1,325	160	1,540	39,266	
Europe, total	50,819	11,553	8,223	307	—	—	(1)	731	
Austria	767	36	35	—	—	11	—	240	
Belgium	668	428	417	—	—	—	—	259	
Denmark	268	9	9	—	—	—	—	1,553	
France (including Andorra)	2,134	580	102	—	479	47	188	8,990	
Italy (including San Marino)	12,855	3,895	3,450	—	200	—	—	86	
Luxembourg	—	86	—	—	—	—	—	668	
Netherlands	—	—	—	—	—	34	163	1,719	
Norway	1,481	793	145	—	452	—	—	11,494	
Spain	1,775	56	55	307	1	—	—	259	
Sweden	13,417	1,923	1,616	—	4	29	1,102	7,783	
Switzerland	6,977	1,704	566	—	—	—	—	51	
United Kingdom	9,567	1,784	1,763	—	—	—	—	132	
West Germany	—	—	—	—	—	—	—	74	
Africa, total	528	397	18	—	87	243	16	25,287	
South Africa (including Namibia)	193	118	16	—	—	1,729	4,345	470	
Asia, total	39,287	14,010	2,459	—	5,478	11	—	24,579	
Hong Kong	482	12	—	—	3	—	—	—	
Indonesia	33	3	—	—	4,430	932	1,100	—	
Japan (including Okinawa and Ryukyu)	33,171	8,617	2,155	—	50	116	6	—	
Philippines	171	171	—	—	—	246	907	8,239	
Oceania, total	11,342	3,103	1,359	—	—	590	166	546	
Puerto Rico and U.S. Possessions, total	2,263	1,716	—	4	8	1,539	179	2,141	
Tax haven countries, total (included above)	3,810	1,670	837	618	32	289	30	36,807	
<b>Total</b>	<b>40,729</b>	<b>3,922</b>	<b>3,118</b>	<b>367</b>	<b>120</b>	<b>4</b>	<b>30</b>	<b>36,807</b>	

Footnotes at end of table.

**Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed**  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Income and taxes from all sources					Foreign tax credit computed	
						Taxable income (less total income from foreign sources before loss recapture)	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for boycott operations	Reduction for international boycott operations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>Wholesale and retail trade, total</b>												
All geographic areas, total	701	228,507,146	9,616,188	4,012,268	641,854	1,856,204	236,370	440,615	26,220	209,327	641,900	
Canada	296	158,308,518	5,270,296	2,186,091	450,937	1,273,098	89,073	358,998	1	57,202	450,937	
Latin America, total	62	157,990,014	4,893,148	1,988,164	459,911	1,241,738	111,005	342,887	884	81,264	459,911	
Brazil	15	92,692,809	1,586,189	595,121	76,857	320,304	49,459	38,877	—	33,200	76,857	
Ecuador	6	75,729,582	1,210,331	419,314	48,305	218,129	27,531	22,156	—	1,407	48,305	
Mexico	54	129,101,543	3,331,948	1,379,595	352,031	660,157	82,330	197,105	—	17,189	352,031	
Panama (including Canal Zone)	19	108,571,444	2,351,026	929,777	308,254	735,533	62,413	219,009	884	30,714	308,254	
Venezuela	13	102,380,388	2,172,438	841,877	237,091	664,810	57,731	194,542	—	27,187	237,091	
Other Western Hemisphere, total	19	128,085,375	2,969,654	1,204,952	370,788	958,592	75,811	272,300	884	39,408	370,788	
The Bahamas	6	24,949,412	1,419,319	637,773	249,969	630,349	26,894	195,992	884	29,240	249,969	
Bermuda	8	31,976,266	1,291,880	563,731	248,947	608,751	33,647	185,070	884	38,227	248,947	
Netherlands Antilles	13	121,037,310	2,589,653	1,039,536	291,249	773,841	60,563	238,427	—	1,179	291,249	
Europe, total	259	163,900,918	6,361,343	2,624,847	522,004	1,527,882	122,956	383,298	885	90,774	522,004	
Austria	8	17,512,843	1,055,909	464,428	183,662	490,276	22,449	170,779	—	23,611	183,662	
Belgium	17	41,119,717	1,880,811	829,284	237,583	709,164	40,003	210,203	—	24,598	237,583	
Denmark	6	9,904,364	1,052,021	472,718	220,362	560,647	21,936	202,896	—	39,220	220,362	
France (including Andorra)	42	108,598,682	2,607,417	1,044,815	292,441	823,921	64,031	241,478	—	30,220	292,441	
Italy (including San Marino)	25	120,000,695	3,929,291	1,618,674	262,733	813,120	55,814	216,554	1	34,548	262,733	
Luxembourg	71	120,541,664	2,995,711	1,211,156	310,776	895,850	67,710	152,448	—	30,967	310,776	
Netherlands	6	11,755,864	1,071,693	476,867	164,823	427,520	12,380	259,547	—	568	164,823	
Norway	12	108,830,154	2,901,385	1,155,873	315,008	819,910	68,614	213,934	884	48,095	315,008	
Spain	11	85,674,305	2,173,297	834,485	214,099	607,795	44,774	162,158	—	24,678	214,099	
Sweden	43	103,812,620	2,674,676	1,049,983	229,031	650,554	57,030	182,452	—	26,865	229,031	
Switzerland	142	133,978,632	3,676,235	1,488,761	412,521	1,226,913	94,183	307,410	885	70,742	412,521	
United Kingdom	26	106,380,854	2,391,296	943,868	278,517	826,064	70,918	208,124	—	51,094	278,517	
West Germany	—	—	—	—	—	—	—	—	—	—	—	
Africa, total	16	116,502,447	2,138,835	828,103	166,521	525,927	65,007	87,882	884	53,919	166,521	
South Africa (including Namibia)	8	98,062,781	1,640,899	608,437	139,295	432,746	44,417	66,405	884	30,419	139,295	
Asia, total	184	194,286,367	7,488,308	3,144,991	558,813	1,581,925	220,689	370,402	26,220	204,705	558,813	
Hong Kong	30	126,241,030	4,259,231	1,745,346	336,905	923,510	78,265	242,753	884	78,541	336,905	
Indonesia	9	12,198,423	364,886	153,316	94,401	259,063	48,027	162,158	—	61,291	94,401	
Japan (including Okinawa and Ryukyu)	94	181,584,112	6,550,026	2,730,539	462,844	1,351,922	115,109	357,795	885	72,910	462,844	
Philippines	13	96,899,869	2,785,881	1,081,893	272,005	776,837	57,121	196,422	884	62,441	272,005	
Oceania, total	44	119,794,547	3,341,419	1,370,009	385,836	1,023,015	96,938	282,625	884	88,758	385,836	
Puerto Rico and U.S. Possessions, total	22	129,551,424	3,980,593	1,665,464	292,111	797,095	73,706	230,693	—	86,742	292,111	
OPEC countries, total (included above)	74	114,013,362	2,825,772	1,137,644	377,179	991,184	165,999	230,574	26,219	180,887	377,179	
Tax haven countries, total (included above)	144	186,257,330	6,702,449	2,794,874	525,426	1,434,938	117,633	398,215	885	87,207	525,426	

Footnotes at end of table.

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before loss recapture			
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specialty allocable income (Section 863(b))	Other than from branch operations and specially allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Wholesale and retail trade, total</b>												
All geographic areas, total	3,721,614	887,938	440,515	191,409	2,221,652	257,080	2,015,194	103,549	1,856,204	131,648	18,136	1,706,420
Canada	464,554	187,653	154,945	41,508	80,448	—	77,928	—	386,840	162	51	386,627
Latin America, total	237,222	85,209	29,098	17,659	105,254	9,340	126,425	2,176	112,671	1,872	1	110,797
Brazil	65,035	20,084	4,483	2,975	37,494	—	31,926	—	33,110	—	—	33,110
Ecuador	395	—	—	59	336	—	222	—	173	—	—	173
Mexico	34,064	8,823	302	3,222	21,718	—	40,168	—	13,898	206	—	14,104
Panama (including Canal Zone)	76,445	49,795	21,976	403	4,270	9,340	10,767	2,176	65,679	(1)	—	65,678
Venezuela	9,486	1,309	924	1,077	6,175	—	5,440	—	3,954	—	—	4,046
Other Western Hemisphere, total	146,199	111,588	23,336	19,101	—7,826	—	17,940	—	128,588	-1,671	—	128,259
The Bahamas	39,103	12,649	7,153	18,890	410	—	6,453	—	30,650	—	—	30,650
Bermuda	8,058	14,700	3,242	—	-9,884	—	1,635	—	4,701	-1,722	—	6,423
Netherlands Antilles	98,619	84,091	12,857	211	1,459	—	7,746	—	90,870	—	—	90,870
Europe, total	1,263,599	210,591	95,395	27,482	830,132	—	824,121	—	472,142	16,476	16,188	439,479
Austria	4,027	1,487	1,440	(1)	1,100	—	1,794	—	1,110	-1,123	—	2,233
Belgium	69,069	41,537	20,517	42	6,872	—	6,211	—	67,835	4,978	—	62,857
Denmark	3,820	226	201	2,972	420	—	1,114	—	2,872	167	—	2,705
France (including Andorra)	73,118	19,919	19,851	7,949	25,399	—	17,469	—	40,411	-15,238	—	55,649
Italy (including San Marino)	33,860	10,157	8,484	304	14,915	—	8,842	—	25,637	216	403	25,018
Netherlands	70,601	21,440	14,111	952	34,098	—	36,286	—	37,719	3,404	—	34,314
Norway	338	—	—	—	—	—	72	—	268	—	—	266
Spain	6,199	1,911	1,811	1	1,572	—	1,592	—	8,256	155	—	8,101
Sweden	7,107	1,074	974	353	4,736	—	1,046	—	6,061	—	—	6,061
Switzerland	47,370	17,370	4,106	1,224	24,658	—	23,595	—	28,102	4,339	—	23,762
United Kingdom	844,181	53,162	9,916	12,208	788,884	—	710,810	—	153,336	19,786	—	133,570
West Germany	86,860	31,565	13,489	1,328	40,478	—	12,856	—	70,989	-3,015	—	74,004
Africa, total	66,351	52,889	7,443	3,337	2,682	—	16,611	—	58,550	10,960	—	47,590
South Africa (including Namibia)	46,700	43,443	641	1,547	1,069	—	11,477	—	35,223	—	—	35,223
Asia, total	1,104,908	170,992	109,397	42,283	782,236	247,740	587,704	101,373	545,988	26,652	133	517,264
Hong Kong	71,673	44,049	6,330	491	20,804	—	14,273	—	57,403	3	—	57,406
Indonesia	1,029	192	—	10	827	—	867	—	2,213	—	—	2,213
Japan (including Okinawa and Ryukyus)	533,547	90,842	88,529	38,081	305,495	—	289,215	—	252,332	7,869	133	244,331
Philippines	13,504	7,095	—	172	3,664	—	4,534	—	9,012	42	—	8,971
Oceania, total	89,408	31,991	18,046	8,894	28,876	—	16,433	—	93,616	20,516	128	72,975
Puerto Rico and U.S. Possessions, total	194,574	6,286	1,575	2,882	163,831	—	239,102	—	9,877	54,401	4	-44,528
OPEC countries, total (included above)	334,985	4,098	924	4,968	325,878	247,740	200,148	101,373	138,299	3,481	—	134,818
Tax haven countries, total (included above)	484,495	254,739	72,050	25,354	132,332	9,340	135,482	2,176	351,798	2,784	1	349,013

Footnotes at end of table.

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Total	Paid or accrued					Deemed paid	
		Total	Dividends	Interest	Rents, royalties and license fees	Branch income	Other income	Deemed paid
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Wholesale and retail trade, total</b>								
All geographic areas, total	676,984	236,370	50,015	6,084	15,830	40,440	124,001	440,615
Canada	178,254	21,309	14,123	1,886	2,893	1,063	1,364	154,945
Latin America, total	44,598	15,900	10,914	1,453	1,005	1,472	1,056	29,098
Brazil	8,201	3,718	2,664	118	126	792	18	4,483
Ecuador	14	—	—	—	—	—	—	14
Mexico	7,073	6,771	4,848	746	218	49	302	910
Panama (including Canal Zone)	25,029	3,053	2,827	15	197	—	14	21,976
Venezuela	1,428	504	262	145	65	—	31	924
Other Western Hemisphere, total	23,858	522	37	—	—	130	355	23,336
The Bahamas	7,465	312	—	—	—	—	312	7,153
Bermuda	3,242	—	—	—	—	—	—	3,242
Netherlands Antilles	12,857	10	—	—	—	—	10	12,857
Europe, total	121,074	25,679	8,883	302	1,690	7,401	7,623	95,395
Austria	1,514	74	—	—	—	—	—	1,440
Belgium	23,436	2,919	482	(1)	—	2,395	42	20,517
Denmark	207	5	—	—	—	—	—	201
France (including Andorra)	21,525	1,674	424	258	680	2	310	19,851
Italy (including San Marino)	10,043	1,558	542	10	849	99	59	8,484
Netherlands	16,084	1,973	381	1	—	—	1,591	14,111
Norway	—	—	—	—	—	—	—	—
Spain	3,159	1,248	1,107	—	136	—	—	1,911
Sweden	1,044	69	69	—	—	—	5	974
Switzerland	1,082	1,082	1,082	—	—	—	—	1,082
United Kingdom	13,250	3,345	862	12	—	125	265	4,106
West Germany	24,986	11,497	3,581	—	—	2,773	5,142	9,916
Africa, total	18,997	9,554	7,317	1	794	1,424	18	7,443
South Africa (including Namibia)	6,911	6,270	6,269	—	1	—	—	641
Asia, total	226,889	117,292	5,570	435	7,337	9,778	94,174	109,296
Hong Kong	7,551	1,222	513	43	473	173	20	6,330
Indonesia	1,082	1,082	1,082	—	—	—	—	1,082
Japan (including Okinawa and Ryukyus)	114,084	15,355	2,659	297	4,144	779	580	98,528
Philippines	3,928	1,355	1,060	8	127	160	—	2,573
Oceania, total	31,640	12,793	2,611	964	1,357	7,618	43	18,846
Puerto Rico and U.S. Possessions, total	34,053	32,478	713	817	721	11,187	19,040	1,575
OPEC countries, total (included above)	95,421	94,497	262	147	446	779	92,863	824
Tax haven countries, total (included above)	81,267	9,217	4,981	123	1,217	553	2,342	72,050

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources								Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Wholesale trade</b>												
All geographic areas, total	586	59,203,929	3,152,135	1,345,158	289,985	899,595	153,941	150,195	28,220	166,612	289,985	—
Canada	268	38,030,214	1,939,348	837,922	109,467	398,625	25,381	85,234	1	17,534	109,467	—
Latin America, total	48	38,714,801	1,574,761	686,154	142,047	458,764	37,450	77,779	884	41,585	142,047	—
Mexico	27	26,720,613	856,362	396,316	30,787	150,212	15,260	17,142	—	850	30,787	—
Panama (including Canal Zone)	13	22,486,536	647,192	279,681	106,722	315,516	27,339	53,007	884	29,469	106,722	—
Venezuela	8	15,502,690	476,268	201,261	31,437	149,404	14,372	20,691	—	2,745	31,437	—
Other Western Hemisphere, total	10	15,938,148	422,347	184,989	85,616	250,017	23,788	32,971	884	36,227	85,616	—
The Bahamas	3	2,682,378	196,034	90,101	66,202	197,336	11,991	27,129	884	29,240	66,202	—
Bermuda	5	15,801,814	421,047	184,511	65,280	248,432	23,027	32,396	884	38,227	85,290	—
Netherlands Antilles	2	10,617,210	82,044	37,434	9,149	72,579	9,079	1,858	—	—	9,149	—
Europe, total	178	36,404,691	2,107,908	905,496	200,011	640,484	50,373	128,500	885	50,145	200,011	—
Austria	5	1,998,962	158,786	85,922	13,165	92,954	3,346	10,041	—	348	13,165	—
Belgium	13	17,107,066	658,579	282,342	47,299	193,100	16,675	33,425	—	916	47,299	—
France (including Andorra)	34	20,719,536	914,178	407,591	83,588	311,215	20,731	69,411	—	14,736	88,588	—
Italy (including San Marino)	18	14,502,230	897,614	438,603	39,130	211,670	8,629	26,683	—	9,670	39,130	—
Netherlands	64	16,446,332	673,742	293,433	77,681	278,380	19,414	64,193	884	31,757	94,892	—
Netherlands Antilles	7	6,356,850	592,323	146,152	94,892	275,859	25,455	46,210	884	—	20,469	—
Spain	7	13,539,741	318,624	146,152	20,469	122,707	4,212	17,535	—	236	31,268	—
Sweden	37	21,716,724	810,337	365,918	31,268	151,460	16,365	15,779	—	—	—	—
Switzerland	37	26,704,000	1,305,453	545,741	177,220	366,862	44,127	111,242	885	45,551	177,220	—
United Kingdom	72	26,704,000	1,305,453	545,741	177,220	366,862	44,127	111,242	885	45,551	177,220	—
West Germany	19	16,163,892	514,690	220,626	49,780	216,442	18,927	30,690	—	10,743	49,780	—
Africa, total	10	19,348,809	618,119	264,623	84,835	250,424	23,140	36,393	884	29,476	84,835	—
South Africa (including Namibia)	4	2,989,231	261,948	109,919	63,264	198,670	11,402	26,759	884	29,240	68,244	—
Asia, total	156	45,389,762	2,199,127	962,437	233,060	694,110	142,074	103,452	28,220	164,652	233,060	—
Hong Kong	17	7,234,600	580,131	250,786	105,531	332,226	20,847	53,063	884	37,998	74,400	—
Indonesia	5	3,323,716	218,240	98,300	74,400	224,524	14,241	25,781	884	47,417	162,778	—
Japan (including Okinawa and Ryukyus)	73	40,319,478	1,873,253	826,586	162,778	523,765	45,743	94,230	884	37,998	74,581	—
Philippines	6	5,075,835	333,534	130,882	74,581	249,611	14,250	29,914	884	—	—	—
Oceania, total	35	19,958,189	722,505	310,393	109,159	349,505	31,163	51,847	884	47,139	109,159	—
Puerto Rico and U.S. Possessions, total	53	5,849,446	468,591	204,112	25,197	132,774	6,562	15,081	—	9,048	25,197	—
OPEC countries, total (included above)	18	24,413,506	920,310	401,552	170,759	471,114	122,349	58,248	26,219	156,445	170,759	—
Tax haven countries, total (included above)	116	37,197,609	1,775,305	785,455	186,629	587,258	41,830	128,985	885	47,538	186,629	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income					Deductions from gross income (less loss)			Taxable income (less loss) before loss recapture		Other than from branch operations and specially allocable income	
	Total	Dividends	Dividend gross-up	Interest	Other	Oil and gas extraction (less loss)	Other than from branch operations and specially allocable income	Deductions from oil extraction income	Total	Foreign branch income	Specially allocable income (Section 853(b))	Other than from branch operations and specially allocable income
	(15)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
<b>Wholesale trade</b>												
All geographic areas, total	2,497,228	381,510	150,195	116,804	1,848,719	257,080	1,654,524	103,549	899,595	38,819	18,073	842,704
Canada	123,837	24,814	19,693	21,937	57,392	—	56,264	—	67,735	162	—	67,573
Latin America, total	246,492	74,738	27,805	14,160	129,789	9,340	122,077	2,176	125,051	636	—	124,415
Mexico	57,371	870	27	2,526	53,949	—	47,470	—	9,901	—	—	9,901
Panama (including Canal Zone)	73,771	48,770	21,420	403	3,177	9,340	9,358	2,176	64,413	—	—	64,413
Venezuela	8,450	1,069	824	1,077	5,490	—	4,399	—	3,429	—	—	3,511
Other Western Hemisphere, total	25,111	25,160	8,591	212	—8,851	—	6,729	—	16,434	52	—	16,382
The Bahamas	19,816	12,649	7,153	—	13	—	4,505	—	15,221	—	—	15,221
Bermuda	3,792	12,509	1,437	—	—10,154	—	900	—	2,692	—	—	2,692
Netherlands Antilles	1,447	—	—	211	1,234	—	1,193	—	254	—	—	254
Europe, total	1,021,700	107,586	62,938	10,081	841,096	—	769,974	—	284,488	16,554	16,188	251,727
Austria	61	—	—	—	61	—	—	—	36	—	—	36
Belgium	7,005	125	236	41	6,604	—	652	—	17,618	—	—	17,618
France (including Andorra)	57,539	17,895	17,524	2,718	19,702	—	13,863	—	43,676	—	—	43,676
Italy (including San Marino)	29,106	10,972	9,484	116	10,436	—	3,382	—	23,995	—	403	23,592
Netherlands	63,567	18,155	13,651	271	31,491	—	27,004	—	39,967	3,404	—	36,563
Netherlands Antilles	7,398	5,238	1,520	—	1,639	—	1,134	—	6,264	—	—	6,264
Spain	4,513	876	974	253	2,310	—	305	—	2,170	—	—	2,170
Sweden	34,862	12,707	3,110	110	18,935	—	17,731	—	21,470	4,330	—	17,141
Switzerland	775,746	27,613	8,208	2,813	737,112	—	695,480	—	82,928	2,662	—	80,266
United Kingdom	28,223	9,200	6,688	675	9,500	—	9,660	—	17,769	—	—	17,769
West Germany	68,039	52,832	7,327	3,334	2,746	—	5,279	—	47,941	339	—	47,603
Africa, total	46,704	43,382	641	1,547	1,130	—	11,417	—	35,287	—	—	35,287
South Africa (including Namibia)	—	—	—	—	—	—	—	—	—	—	—	—
Asia, total	813,438	72,243	17,628	38,862	684,885	247,740	542,742	101,373	278,662	5,840	126	270,696
Hong Kong	22,252	15,021	2,191	—	5,017	—	4,612	—	17,620	—	—	17,620
Indonesia	665	192	—	—	472	—	365	—	309	—	—	309
Japan (including Okinawa and Ryukyus)	341,319	21,514	11,144	35,952	272,709	—	256,291	—	83,726	8,572	126	75,028
Philippines	12,441	7,069	2,555	172	2,645	—	4,254	—	7,693	—	—	7,693
Oceania, total	38,977	14,427	6,170	627	17,753	—	12,623	—	38,215	11,635	126	26,454
Puerto Rico and U.S. Possessions, total	38,159	67	35	488	37,541	—	34,248	—	7,171	3,260	—	3,911
OPEC countries, total (included above)	332,010	3,856	824	4,058	323,271	247,740	199,381	101,373	132,648	—	—	132,648
Tax haven countries, total (included above)	280,299	128,378	49,612	1,384	100,924	—	90,039	—	192,925	5,865	—	187,060

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								Deemed paid
	Foreign taxes paid or accrued and deemed paid before reduction								
	Total	Paid or accrued					Other taxes paid or accrued on		
		Total	Tax withheld at source on			Branch income	Other income		
Dividends			Interest	Rents, royalties and license fees					
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Wholesale trade</b>	<b>304,136</b>	<b>153,941</b>	<b>26,033</b>	<b>2,573</b>	<b>4,069</b>	<b>21,873</b>	<b>99,392</b>	<b>150,195</b>	
<b>All geographic areas, total</b>	<b>304,136</b>	<b>153,941</b>	<b>26,033</b>	<b>2,573</b>	<b>4,069</b>	<b>21,873</b>	<b>99,392</b>	<b>150,195</b>	
Canada	23,322	3,629	1,035	530	681	129	1,254	19,693	
Latin America, total	37,568	9,763	6,256	1,267	385	1,136	727	27,805	
Mexico	1,898	1,871	478	602	98	—	14	27	
Panama (including Canal Zone)	24,230	2,610	2,773	15	7	—	31	21,400	
Venezuela	1,214	290	214	145	—	—	—	624	
Other Western Hemisphere, total	9,043	452	—	—	—	—	130	8,591	
The Bahamas	7,465	312	—	—	—	—	—	7,153	
Bermuda	1,437	10	—	—	—	—	10	1,437	
Netherlands Antilles	10	—	—	—	—	—	—	—	
Europe, total	75,605	12,687	4,698	89	1,289	3,655	2,936	62,938	
Austria	2,673	2,437	—	(1)	—	—	42	236	
Belgium	18,400	876	58	47	462	—	310	17,524	
France (including Andorra)	9,935	1,351	529	7	814	—	1,591	6,484	
Italy (including San Marino)	15,298	1,648	56	—	—	—	—	13,651	
Netherlands	2,459	939	934	—	—	—	—	1,520	
Spain	1,014	40	40	—	—	—	—	974	
Sweden	4,410	1,300	698	12	—	—	125	265	
Switzerland	9,953	1,745	383	22	—	—	1,135	206	
United Kingdom	10,978	2,290	1,775	—	—	—	—	514	
West Germany	14,590	7,263	7,244	(1)	(1)	—	1	7,327	
Africa, total	6,902	6,261	6,261	—	—	—	—	641	
South Africa (including Namibia)	126,171	108,542	5,216	278	1,219	8,383	93,447	17,628	
Asia, total	2,705	514	513	—	(1)	(1)	—	2,191	
Hong Kong	23,046	11,902	2,424	187	1,043	7,875	(1)	—	
Indonesia	3,624	1,069	1,060	8	—	—	—	—	
Japan (including Okinawa and Ryukyus)	15,850	9,480	1,515	37	412	7,474	374	11,144	
Philippines	1,336	1,301	(1)	139	63	—	—	2,555	
Oceania, total	93,881	93,057	214	145	118	380	—	824	
Puerto Rico and U.S. Possessions, total	56,584	6,973	4,254	28	—	—	—	45,612	
OPEC countries, total (included above)									
Tax haven countries, total (included above)									

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
 Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Income and taxes from all sources					Foreign tax credit continued	
						Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>Retail trade</b>												
<b>All geographic areas, total</b>	<b>115</b>	<b>169,303,217</b>	<b>6,464,053</b>	<b>2,667,130</b>	<b>351,868</b>	<b>958,609</b>	<b>82,429</b>	<b>290,420</b>	<b>—</b>	<b>40,715</b>	<b>351,915</b>	
Canada	30	118,278,305	3,330,950	1,328,169	341,470	874,271	73,691	273,764	—	39,669	341,470	
Latin America, total	14	119,278,412	3,119,387	1,282,010	317,884	782,974	73,555	264,318	—	39,669	317,884	
Mexico	7	102,380,930	2,475,584	993,268	221,244	509,945	47,070	179,963	—	—	—	
Panama (including Canal Zone)	6	66,084,907	1,703,834	644,096	199,532	480,017	35,074	166,002	—	16,339	221,244	
Venezuela	5	86,877,699	1,686,170	640,616	205,655	515,406	43,359	173,851	—	1,245	189,532	
Other Western Hemisphere, total	9	112,146,229	2,647,217	1,019,963	285,170	708,574	52,022	239,329	—	24,442	205,655	
The Bahamas	3	22,267,034	1,223,235	547,672	183,767	433,013	14,804	188,863	—	1,179	285,170	
Bermuda	3	16,176,452	870,833	379,221	163,067	360,513	10,620	152,675	—	—	183,767	
Europe, total	84	127,096,227	4,253,435	1,719,451	322,593	887,378	72,583	254,798	—	—	152,067	
Austria	3	15,513,881	889,123	378,509	189,896	397,323	19,103	160,738	—	23,263	169,896	
Belgium	4	24,012,651	1,223,232	548,943	190,284	516,064	23,327	176,778	—	24,012	190,284	
France (including Andorra)	8	87,879,146	1,693,239	637,226	202,652	612,706	43,300	172,066	—	24,484	203,852	
Italy (including San Marino)	7	105,398,465	2,941,077	1,180,072	223,603	801,449	47,186	187,871	—	24,678	233,003	
Netherlands	7	104,095,332	2,311,969	917,323	233,095	607,289	49,296	195,354	—	16,339	220,116	
Spain	5	95,290,413	2,582,781	1,026,720	220,116	543,750	43,150	167,724	—	24,442	233,095	
Sweden	3	19,317,455	1,580,954	800,063	193,630	486,088	40,862	168,873	—	—	—	
Switzerland	7	82,065,897	1,884,542	834,065	197,763	495,084	40,848	166,873	—	24,442	197,763	
United Kingdom	70	107,275,823	2,370,791	943,020	234,792	660,091	50,095	195,188	—	25,191	234,792	
West Germany	7	90,226,964	1,676,578	723,243	228,838	612,642	51,991	177,434	—	40,352	228,838	
Africa, total	6	97,155,638	1,520,316	563,480	81,588	274,603	41,867	51,489	—	24,442	81,588	
South Africa (including Namibia)	4	95,073,551	1,378,951	498,519	73,051	233,876	33,016	41,646	—	1,179	73,051	
Asia, total	28	148,806,805	5,287,181	2,182,554	325,953	887,815	78,614	266,950	—	40,653	325,553	
Hong Kong	13	119,006,430	3,679,099	1,494,500	231,373	591,293	57,417	189,589	—	39,602	231,373	
Indonesia	4	8,774,707	146,646	55,015	20,901	70,539	11,679	18,266	—	23,263	20,901	
Japan (including Okinawa and Ryukyus)	20	141,284,633	4,678,763	1,904,033	300,068	826,156	69,364	261,556	—	25,483	300,068	
Philippines	7	81,823,626	2,455,047	950,811	197,824	529,326	42,871	166,508	—	24,442	197,824	
Oceania, total	9	106,236,358	2,618,915	1,059,816	276,878	673,510	65,774	230,978	—	39,602	276,878	
Australia	9	100,236,358	2,618,915	1,059,816	276,878	673,510	65,774	230,978	—	39,602	276,878	
Puerto Rico and U.S. Possessions, total	19	123,601,678	3,512,002	1,461,351	266,914	664,321	67,144	215,811	—	39,602	276,878	
OPEC countries, total (included above)	8	89,599,876	1,955,462	738,292	208,420	520,070	43,650	174,328	—	24,442	208,420	
Tax haven countries, total (included above)	28	149,059,521	4,977,143	2,026,418	325,797	847,662	75,864	271,230	—	39,669	326,797	

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country										Taxable income (less loss) before loss recapture			
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Total	Foreign branch income	Specially allocable income (Section 163(b))	Other than from branch operations and specially allocable income		
	Total	Dividends	Dividend gross-up	Interest	Other									
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)			
<b>Retail trade</b>														
All geographic areas, total	1,224,388	486,428	290,420	74,605	372,933	—	360,670	—	858,609	92,630	63	883,716		
Canada	340,717	162,839	135,252	19,571	23,056	—	21,664	—	319,104	—	51	319,053		
Latin America, total	—	—	—	—	—	—	—	—	—	—	—	—		
Mexico	—	—	—	—	—	—	—	—	—	—	—	—		
Panama (including Canal Zone)	—	—	—	—	—	—	—	—	—	—	—	—		
Venezuela	—	—	—	—	—	—	—	—	—	—	—	—		
Other Western Hemisphere, total	—	—	—	—	—	—	—	—	—	—	—	—		
The Bahamas	—	—	—	—	—	—	—	—	—	—	—	—		
Bermuda	—	—	—	—	—	—	—	—	—	—	—	—		
Europe, total	241,699	103,005	32,457	17,400	89,037	—	54,147	—	187,674	—	78	187,752		
Austria	—	—	—	—	—	—	—	—	—	—	—	—		
Belgium	—	—	—	—	—	—	—	—	—	—	—	—		
France (including Andorra)	—	—	—	—	—	—	—	—	—	—	—	—		
Italy (including San Marino)	—	—	—	—	—	—	—	—	—	—	—	—		
Netherlands	—	—	—	—	—	—	—	—	—	—	—	—		
Spain	—	—	—	—	—	—	—	—	—	—	—	—		
Sweden	—	—	—	—	—	—	—	—	—	—	—	—		
Switzerland	—	—	—	—	—	—	—	—	—	—	—	—		
United Kingdom	—	—	—	—	—	—	—	—	—	—	—	—		
West Germany	—	—	—	—	—	—	—	—	—	—	—	—		
Africa, total	—	—	—	—	—	—	—	—	—	—	—	—		
South Africa (including Namibia)	—	—	—	—	—	—	—	—	—	—	—	—		
Asia, total	291,469	98,749	91,768	3,401	97,551	—	44,961	—	269,326	22,812	7	246,506		
Hong Kong	—	—	—	—	—	—	—	—	—	—	—	—		
Indonesia	—	—	—	—	—	—	—	—	—	—	—	—		
Japan (including Okinawa and Ryukyus)	—	—	—	—	—	—	—	—	—	—	—	—		
Philippines	—	—	—	—	—	—	—	—	—	—	—	—		
Oceania, total	50,431	17,584	12,676	9,267	10,923	—	3,910	—	55,401	8,880	—	46,521		
Australia	—	—	—	—	—	—	—	—	—	—	—	—		
Puerto Rico and U.S. Possessions, total	158,415	6,189	1,540	2,388	148,289	—	204,854	—	2,707	51,141	4	48,439		
OPEC countries, total (included above)	2,955	240	100	10	2,605	—	785	—	5,753	3,563	1	2,190		
Tax haven countries, total (included above)	204,198	126,380	22,438	23,970	31,408	—	42,443	—	158,673	—	—	181,753		

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								
	Total	Foreign taxes paid or accrued and deemed paid before reduction							Deemed paid
		Total	Paid or accrued			Other taxes paid or accrued on			
			Dividends	Interest	Rents, royalties and license fees	Branch income	Other income		
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Retail trade</b>									
All geographic areas, total	372,848	82,429	23,983	3,511	11,760	18,567	24,609	290,420	
Canada	152,932	17,680	13,088	1,338	2,212	934	110	125,252	
Latin America, total	—	—	—	—	—	—	—	—	
Mexico	—	—	—	—	—	—	—	—	
Panama (including Canal Zone)	—	—	—	—	—	—	—	—	
Venezuela	—	—	—	—	—	—	—	—	
Other Western Hemisphere, total	—	—	—	—	—	—	—	—	
The Bahamas	—	—	—	—	—	—	—	—	
Bermuda	—	—	—	—	—	—	—	—	
Europe, total	14,816	70	37	—	—	—	33	14,746	
Austria	—	—	—	—	—	—	—	—	
Belgium	—	—	—	—	—	—	—	—	
France (including Andorra)	—	—	—	—	—	—	—	—	
Italy (including San Marino)	—	—	—	—	—	—	—	—	
Netherlands	—	—	—	—	—	—	—	—	
Spain	—	—	—	—	—	—	—	—	
Sweden	—	—	—	—	—	—	—	—	
Switzerland	—	—	—	—	—	—	—	—	
United Kingdom	—	—	—	—	—	—	—	—	
West Germany	—	—	—	—	—	—	—	—	
Africa, total	—	—	—	—	—	—	—	—	
South Africa (including Namibia)	—	—	—	—	—	—	—	—	
Asia, total	100,518	6,750	354	159	6,117	1,393	727	91,768	
Hong Kong	—	—	—	—	—	—	—	—	
Indonesia	—	—	—	—	—	—	—	—	
Japan (including Okinawa and Ryukyus)	—	—	—	—	—	—	—	—	
Philippines	—	—	—	—	—	—	—	—	
Oceania, total	15,989	3,313	1,086	928	945	344	—	12,676	
Australia	—	—	—	—	—	—	—	—	
Puerto Rico and U.S. Possessions, total	32,717	31,177	713	678	659	10,404	18,723	1,540	
OPEC countries, total (included above)	1,540	1,440	48	2	446	779	165	100	
Tax haven countries, total (included above)	24,682	2,244	728	85	1,099	173	150	22,438	

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources								Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before less recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for tax on foreign assets	Carryover	Before reduction for international boycott operations	Reduction for international boycott operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Finance, insurance and real estate, total</b>	<b>946</b>	<b>3,168,573,849</b>	<b>24,684,273</b>	<b>8,374,354</b>	<b>2,261,523</b>	<b>10,619,505</b>	<b>1,572,083</b>	<b>608,338</b>	<b>883</b>	<b>539,005</b>	<b>2,281,520</b>	
<b>All geographic areas, total</b>	<b>431</b>	<b>2,856,940,294</b>	<b>21,513,304</b>	<b>7,043,398</b>	<b>2,111,260</b>	<b>9,621,931</b>	<b>1,494,851</b>	<b>579,010</b>	<b>883</b>	<b>392,064</b>	<b>2,111,260</b>	
<b>Canada</b>	<b>195</b>	<b>2,506,212,783</b>	<b>15,402,750</b>	<b>5,081,194</b>	<b>2,093,980</b>	<b>9,645,447</b>	<b>1,477,382</b>	<b>589,757</b>	<b>883</b>	<b>453,880</b>	<b>2,093,880</b>	
<b>Latin America, total</b>	<b>101</b>	<b>2,184,229,954</b>	<b>12,261,599</b>	<b>4,014,289</b>	<b>2,015,531</b>	<b>9,217,938</b>	<b>1,410,606</b>	<b>590,252</b>		<b>443,480</b>	<b>2,015,531</b>	
Brazil	49	1,370,351,100	5,913,168	2,129,824	1,549,072	6,402,296	1,106,113	481,796	883	283,114	1,549,072	
Ecuador	163	2,344,686,948	14,372,395	4,710,845	2,023,130	9,414,715	1,439,167	535,129	883	380,754	2,023,130	
Mexico	52	1,577,299,571	10,256,531	3,263,401	1,592,523	7,268,793	1,152,518	489,576		226,004	1,592,523	
Panama (including Canal Zone)	75	1,692,474,765	6,126,023	2,869,638	1,749,840	7,478,667	1,265,303	513,036		316,790	1,749,840	
Venezuela	98	2,218,503,549	13,581,719	4,378,542	1,951,462	9,038,885	1,366,681	559,585		370,992	1,951,462	
<b>Other Western Hemisphere, total</b>	<b>52</b>	<b>1,652,876,105</b>	<b>8,792,328</b>	<b>2,929,671</b>	<b>1,727,186</b>	<b>7,434,679</b>	<b>1,260,956</b>	<b>506,936</b>		<b>284,158</b>	<b>1,727,186</b>	
The Bahamas	37	966,958,385	4,241,922	1,464,725	1,019,392	4,444,866	876,254	242,485		113,036	1,019,392	
Bermuda	48	1,650,562,694	9,781,962	3,246,779	1,727,266	7,492,695	1,205,865	496,991		343,254	1,727,266	
Netherlands Antilles	407	2,761,104,992	19,421,145	6,385,625	2,109,119	9,970,592	1,480,267	592,140	883	436,888	2,109,119	
<b>Europe, total</b>	<b>36</b>	<b>1,461,754,761</b>	<b>9,499,077</b>	<b>2,954,333</b>	<b>1,722,682</b>	<b>7,224,670</b>	<b>1,217,026</b>	<b>518,703</b>		<b>242,948</b>	<b>1,722,682</b>	
Austria	56	1,716,561,180	10,019,420	3,403,419	1,789,827	7,992,074	1,307,705	510,270	883	219,929	1,789,827	
Belgium	64	1,555,608,267	9,538,853	2,954,749	1,690,685	7,106,224	1,220,849	525,511		235,381	1,690,685	
Denmark	53	1,998,668,849	12,304,187	3,939,793	1,901,119	8,494,742	1,360,623	569,745	883	337,557	1,901,119	
France (including Andorra)	71	1,904,860,533	11,258,560	3,581,412	1,917,006	8,471,157	1,357,220	556,856	883	271,191	1,917,006	
Italy (including San Marino)	202	2,144,191,886	14,885,213	4,696,547	1,828,412	8,196,111	1,309,208	585,156	883	263,788	1,828,412	
Luxembourg	76	1,265,726,001	8,021,158	2,408,459	1,086,611	5,253,328	928,441	270,024		27,293	1,086,611	
Netherlands	69	1,869,915,807	11,047,793	3,259,925	1,858,467	6,478,193	1,352,366	593,642		311,804	1,858,467	
Norway	81	1,865,476,878	11,884,298	3,860,472	1,800,954	7,912,421	1,305,525	517,483	883	221,286	1,800,954	
Spain	209	1,955,669,352	12,223,241	3,928,255	1,931,941	8,439,147	1,351,375	562,100		308,811	1,931,941	
Sweden	34	2,031,548,420	12,453,316	3,848,768	1,920,990	8,416,370	1,368,205	545,800	883	378,210	1,920,990	
Switzerland	20	956,808,636	4,582,927	1,582,165	1,368,714	5,554,433	895,453	422,093		184,814	1,368,714	
United Kingdom	194	1,580,494,831	10,023,893	3,080,422	1,424,417	6,183,730	1,137,830	347,650	883	151,662	1,424,417	
West Germany	174	2,582,197,700	17,265,933	5,591,013	2,100,101	9,791,890	1,484,845	573,432	883	468,067	2,100,101	
<b>Africa, total</b>	<b>71</b>	<b>1,868,011,462</b>	<b>11,415,339</b>	<b>3,842,164</b>	<b>1,886,548</b>	<b>6,015,178</b>	<b>1,337,407</b>	<b>544,264</b>		<b>286,289</b>	<b>1,886,548</b>	
Liberia	38	1,526,630,176	7,582,546	2,662,308	1,848,569	7,549,969	1,328,230	510,876	883	273,480	1,848,569	
South Africa (including Namibia)	134	2,309,055,844	15,189,862	4,847,309	2,000,682	9,019,475	1,432,389	548,248	883	372,376	2,000,682	
Asia, total	50	1,836,190,459	10,971,319	3,462,275	1,854,743	6,164,262	1,036,483	516,419		326,403	1,854,743	
Hong Kong	171	1,868,011,462	11,415,339	3,842,164	1,886,548	6,015,178	1,337,407	544,264		286,289	1,886,548	
Indonesia	38	1,526,630,176	7,582,546	2,662,308	1,848,569	7,549,969	1,328,230	510,876	883	273,480	1,848,569	
Japan (including Okinawa and Ryukyu)	134	2,309,055,844	15,189,862	4,847,309	2,000,682	9,019,475	1,432,389	548,248	883	372,376	2,000,682	
Philippines	50	1,836,190,459	10,971,319	3,462,275	1,854,743	6,164,262	1,036,483	516,419		326,403	1,854,743	
<b>Oceania, total</b>	<b>136</b>	<b>2,211,113,969</b>	<b>15,147,418</b>	<b>4,813,283</b>	<b>1,976,760</b>	<b>8,141,268</b>	<b>1,407,078</b>	<b>584,278</b>		<b>346,468</b>	<b>1,976,760</b>	
Australia	130	2,184,044,800	14,946,566	4,737,291	1,971,819	9,095,150	1,401,586	564,226		345,561	1,971,819	
<b>Puerto Rico and U.S. Possessions, total</b>	<b>118</b>	<b>1,813,893,532</b>	<b>15,207,358</b>	<b>4,913,905</b>	<b>1,777,070</b>	<b>6,809,288</b>	<b>1,214,944</b>	<b>651,386</b>	883	<b>304,276</b>	<b>1,777,070</b>	
<b>OPEC countries, total (included above)</b>	<b>85</b>	<b>1,895,985,088</b>	<b>9,872,873</b>	<b>3,059,794</b>	<b>1,858,548</b>	<b>6,661,678</b>	<b>1,406,406</b>	<b>542,397</b>	883	<b>359,329</b>	<b>1,858,548</b>	
<b>Tax haven countries, total (included above)</b>	<b>279</b>	<b>2,556,239,054</b>	<b>17,705,649</b>	<b>5,785,947</b>	<b>2,045,815</b>	<b>6,998,249</b>	<b>1,438,344</b>	<b>583,850</b>	883	<b>373,689</b>	<b>2,045,815</b>	

Footnotes at end of table.

Corporate Foreign Tax Credit, 1986

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income						Taxable income (less loss) before less recapture					
	Total	Dividends	Dividend gross	Interest	Other	Oil and gas extraction (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Total	Foreign branch income	Specialty allocable income (Section 863(b))	Other than from branch operations and specially allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Finance, insurance and real estate, total</b>	<b>21,559,140</b>	<b>1,572,343</b>	<b>608,343</b>	<b>15,921,481</b>	<b>3,456,993</b>	<b>6,110</b>	<b>15,241,411</b>	<b>6,252</b>	<b>10,619,505</b>	<b>4,291,240</b>	<b>10,536</b>	<b>8,317,729</b>
<b>All geographic areas, total</b>	<b>1,970,158</b>	<b>184,229</b>	<b>81,817</b>	<b>1,340,024</b>	<b>384,087</b>		<b>1,066,907</b>		<b>1,066,907</b>	<b>165,717</b>	<b>2,094</b>	<b>898,898</b>
<b>Canada</b>	<b>5,260,114</b>	<b>72,633</b>	<b>45,527</b>	<b>5,014,492</b>	<b>149,458</b>		<b>3,982,222</b>		<b>2,204,656</b>	<b>886,663</b>	<b>729</b>	<b>1,317,892</b>
Brazil	1,670,085	27,738	35,014	1,566,334	40,999		1,248,768		1,248,768	358,824	3	421,317
Ecuador	39,587	103	25	38,040	1,418		28,581		28,581	5,934		11,006
Mexico	1,599,430	6,847	1,853	1,526,520	64,210		1,204,338		1,204,338	34,779	4	395,032
Panama (including Canal Zone)	92,169	12,858	551	7,737	5,013		77,333		77,333	11,507	1	14,826
Venezuela	290,489	39		279,314	11,136		229,780		229,780	26,379	1	66,709
<b>Other Western Hemisphere, total</b>	<b>1,872,178</b>	<b>280,720</b>	<b>18,869</b>	<b>1,381,070</b>	<b>-6,481</b>		<b>1,143,123</b>		<b>903,880</b>	<b>374,850</b>	<b>7</b>	<b>529,055</b>
The Bahamas	795,306	22,485	47	769,307	3,438		521,084		521,084	351,074		274,212
Bermuda	118,398	30,533		101,968	-14,151		87,098		87,098	21,960		31,300
Netherlands Antilles	389,432	223,353	16,600	131,244	-1,756		185,024		185,024	30,551	56	184,408
<b>Europe, total</b>	<b>6,011,889</b>	<b>825,287</b>	<b>414,559</b>	<b>3,205,215</b>	<b>1,568,847</b>	<b>16</b>	<b>4,014,212</b>	<b>(1)</b>	<b>3,812,424</b>	<b>1,913,177</b>	<b>1,571</b>	<b>1,997,878</b>
Austria	35,282	4,337	2,827	24,438	3,680		15,997		15,997	32,288	1	19,295
Belgium	199,827	27,617	11,509	127,173	8,523		123,271		123,271	478,745		2,865
Denmark	47,638	1,561	893	36,243	8,951		30,324		30,324	30,378		76,551
France (including Andorra)	316,748	8,218	4,845	298,547	32,929		265,291		265,291	307,613	33	17,134
Italy (including San Marino)	1,016,663	380,795	205,122	175,535	32,259		520,348		520,348	149,628	29	50,865
Luxembourg	64,957	21,199	10,946	30,384	2,528		34,322		34,322	47,291	21	779,489
Netherlands	121,870	13,766	1,657	74,189	2,528		102,712		102,712	20,180	29	30,636
Norway	161			161								18,100
Spain	137,703	3,504	1,410	22,623	1,844		107,712		107,712	47,291	20	9,903
Sweden	62,793	1,950	1,125	61,898	47,823		39,921		39,921	99,891	53	8,903
Switzerland	427,502	27,698	7,051	351,080	48,082		301,898		301,898	29,252	4	28,862
United Kingdom	2,236,938	262,929	115,182	1,5								

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Total	Foreign taxes paid or accrued and deemed paid before reduction						Deemed paid
		Total	Paid or accrued				Other taxes paid or accrued on	
			Tax withheld at source on					
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Finance, insurance and real estate, total</b>	<b>2,180,400</b>	<b>1,572,063</b>	<b>95,974</b>	<b>816,461</b>	<b>6,030</b>	<b>761,227</b>	<b>90,358</b>	<b>608,338</b>
<b>All geographic areas, total</b>	<b>197,756</b>	<b>115,939</b>	<b>14,243</b>	<b>1,271</b>	<b>1,271</b>	<b>63,678</b>	<b>30,912</b>	<b>81,817</b>
<b>Canada</b>	<b>695,546</b>	<b>650,019</b>	<b>45,643</b>	<b>505,794</b>	<b>2,802</b>	<b>93,322</b>	<b>2,454</b>	<b>45,527</b>
<b>Latin America, total</b>	<b>446,367</b>	<b>411,355</b>	<b>39,191</b>	<b>320,976</b>	<b>77</b>	<b>49,992</b>	<b>1,117</b>	<b>35,014</b>
Brazil	841	816	12	528	23	238	14	25
Ecuador	132,473	130,620	3,701	114,321	568	11,328	698	1,853
Mexico	2,283	1,712	—	308	109	1,286	9	551
Panama (including Canal Zone)	6,860	6,860	5	6,161	53	—	20	1
Venezuela	26,971	10,101	2,857	4,424	1	319	2,701	16,689
<b>Other Western Hemisphere, total</b>	<b>72</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>75</b>
The Bahamas	72	—	—	—	—	—	—	75
Burmas	22,591	5,991	2,662	454	—	175	2,899	16,900
Netherlands Antilles	634,217	419,661	33,665	13,299	878	339,629	31,989	414,558
<b>Europe, total</b>	<b>3,392</b>	<b>1,138</b>	<b>381</b>	<b>1</b>	<b>—</b>	<b>756</b>	<b>299</b>	<b>11,509</b>
Austria	92,641	81,131	3,254	17	2	491	2	683
Belgium	1,857	1,131	478	13	253	18,108	4	4,845
Denmark	36,392	31,517	360	13	—	16	—	205,122
France (including Andorra)	225,952	20,830	1,579	3,133	—	1,061	83	10,846
Italy (including San Marino)	12,998	2,152	1,008	—	—	1,999	—	1,607
Luxembourg	5,716	4,060	1,255	655	—	—	—	1,410
Netherlands	20	17	655	2,712	74	26,619	11,202	1,135
Norway	42,652	41,242	248	2	—	15,023	501	7,051
Spain	1,399	264	—	—	—	—	—	115,190
Sweden	25,557	18,606	2,861	221	—	109,420	18,394	50,793
Switzerland	260,245	145,065	10,881	5,806	64	27,738	775	32,900
United Kingdom	69,787	39,994	10,022	395	—	—	—	—
West Germany	52,059	18,159	2,010	38	47	14,526	2,538	6,126
<b>Africa, total</b>	<b>978</b>	<b>978</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>978</b>	<b>12</b>	<b>10,734</b>
Liberia	7,084	958	—	—	—	—	—	1,860
South Africa (including Namibia)	284,442	273,708	4,211	38,011	1,616	222,774	6,895	199
<b>Asia, total</b>	<b>5,065</b>	<b>3,205</b>	<b>159</b>	<b>1,379</b>	<b>68</b>	<b>1,730</b>	<b>1</b>	<b>748</b>
Hong Kong	119,584	118,836	555	15,750	113	13,906	4,648	229
Indonesia	119,584	118,836	555	15,750	113	13,906	4,648	229
Japan (including Okinawa and Ryukyus)	21,268	21,039	245	1,423	166	17,745	1,260	2,505
Philippines	40,204	35,284	1,675	14,239	127	15,688	1,256	3,785
<b>Oceania, total</b>	<b>18,404</b>	<b>18,028</b>	<b>289</b>	<b>829</b>	<b>—</b>	<b>6,452</b>	<b>10,359</b>	<b>3,805</b>
Australia	18,404	18,028	289	829	—	6,452	10,359	3,805
<b>Puerto Rico and U.S. Possessions, total</b>	<b>50,584</b>	<b>46,459</b>	<b>8,228</b>	<b>3,881</b>	<b>1,135</b>	<b>34,068</b>	<b>3,542</b>	<b>44,853</b>
<b>OPEC countries, total (included above)</b>	<b>50,584</b>	<b>46,459</b>	<b>8,228</b>	<b>3,881</b>	<b>1,135</b>	<b>34,068</b>	<b>3,542</b>	<b>44,853</b>
<b>Tax haven countries, total (included above)</b>	<b>95,718</b>	<b>50,863</b>	<b>8,228</b>	<b>3,881</b>	<b>1,135</b>	<b>34,068</b>	<b>3,542</b>	<b>44,853</b>

Footnotes at end of table.

Returns with Form 1118 Filed In Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources								Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credit claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations	With credit for international operations
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Banking</b>												
<b>All geographic areas, total</b>	<b>145</b>	<b>1,930,135,490</b>	<b>7,565,112</b>	<b>2,916,926</b>	<b>1,769,474</b>	<b>8,107,227</b>	<b>1,324,005</b>	<b>400,992</b>	<b>—</b>	<b>425,633</b>	<b>1,769,474</b>	<b>—</b>
<b>Canada</b>	<b>70</b>	<b>1,563,278,224</b>	<b>6,327,511</b>	<b>2,384,428</b>	<b>1,656,717</b>	<b>7,266,963</b>	<b>1,265,150</b>	<b>398,785</b>	<b>—</b>	<b>295,694</b>	<b>1,666,717</b>	<b>—</b>
<b>Latin America, total</b>	<b>107</b>	<b>1,799,651,275</b>	<b>6,095,799</b>	<b>2,672,309</b>	<b>1,706,124</b>	<b>7,888,267</b>	<b>1,293,407</b>	<b>400,795</b>	<b>—</b>	<b>361,870</b>	<b>1,706,124</b>	<b>—</b>
Brazil	84	1,686,200,298	6,632,213	2,514,510	1,685,228	7,706,456	1,281,243	400,794	—	361,200	1,695,228	—
Ecuador	40	1,184,079,428	4,487,262	1,755,067	1,423,888	5,808,949	1,055,460	376,255	—	269,826	1,423,888	—
Mexico	89	1,724,404,205	6,703,138	2,557,216	1,677,874	7,666,278	1,278,744	398,785	—	303,358	1,677,874	—
Panama (including Canal Zone)	37	1,142,566,585	4,812,987	1,867,048	1,421,407	6,221,670	1,081,784	373,203	—	195,947	1,421,407	—
Venezuela	61	1,476,849,484	5,871,200	2,214,593	1,622,559	6,651,440	1,221,742	398,719	—	303,084	1,622,559	—
<b>Other Western Hemisphere, total</b>	<b>54</b>	<b>1,481,928,294</b>	<b>5,728,947</b>	<b>2,180,756</b>	<b>1,614,698</b>	<b>7,256,879</b>	<b>1,224,694</b>	<b>398,785</b>	<b>—</b>	<b>289,584</b>	<b>1,614,698</b>	<b>—</b>
The Bahamas	43	1,402,819,051	5,509,500	2,095,149	1,599,533	6,866,116	1,211,612	398,568	—	269,826	1,599,533	—
Burmas	17	805,382,234	2,936,509	1,180,343	943,586	4,030,215	847,294	180,678	—	6,954	943,586	—
Netherlands Antilles	27	1,150,031,082	4,618,724	1,764,523	1,457,022	6,361,678	1,085,798	378,250	—	269,204	1,457,022	—
<b>Europe, total</b>	<b>78</b>	<b>1,739,536,665</b>	<b>6,677,556</b>	<b>2,523,400</b>	<b>1,687,911</b>	<b>7,672,804</b>	<b>1,267,320</b>	<b>400,941</b>	<b>—</b>	<b>332,510</b>	<b>1,687,911</b>	<b>—</b>
Austria	24	1,047,926,924	4,462,698	1,700,097	1,444,225	5,780,105	1,089,707	302,603	—	186,052	1,444,225	—
Belgium	37	1,187,013,430	5,067,743	1,903,741	1,520,235	6,902,945	1,162,805	396,366	—	196,824	1,903,741	—
Denmark	30	1,135,493,687	4,698,853	1,750,448	1,457,403	5,870,138	1,102,874	392,603	—	196,054	1,457,403	—
France (including Andorra)	45	1,371,325,470	5,531,997	2,082,720	1,560,133	6,694,187	1,202,830	397,405	—	196,824	1,560,133	—
Italy (including San Marino)	46	1,422,562,769	5,531,518	2,131,443	1,608,724	6,944,543	1,219,856	398,794	—	272,190	1,608,724	—
Luxembourg	17	863,041,474	3,977,449	1,321,674	1,265,647	4,500,759	931,598	372,743	—	231,651	1,321,674	—
Netherlands	40	1,262,036,434	5,196,457	1,938,397	1,494,471	6,273,956	1,138,415	398,785	—	196,824	1,494,471	—
Norway	24	852,786,516	2,909,484	1,168,799	944,471	4,164,332	856,059	179,198	—	25,912	1,168,799	—
Spain	51	1,421,755,633	6,811,719	2,208,257	1,618,684	7,145,784	1,233,252	398,567	—	194,461	1,618,684	—
Sweden	34	1,216,624,295	4,963,252	1,864,961	1,500,686	6,221,224	1,143,232	397,122	—	277,720	1,864,961	—
Switzerland	35	1,235,541,114	5,185,775	1,954,201	1,533,313	6,415,061	1,175,885	397,385	—	194,471	1,954,201	—
United Kingdom	40	1,510,660,347	6,840,376	2,204,872	1,620,080	7,328,582	1,229,983	398,785	—	271,690	2,204,872	—
West Germany	41	1,389,607,884	5,516,565	2,088,677	1,605,520	6,769,818	1,206,176	398,525	—	234,947	2,088,677	—
<b>Africa, total</b>	<b>39</b>	<b>1,386,889,627</b>	<b>5,462,723</b>	<b>2,062,057</b>	<b>1,615,974</b>	<b>6,856,119</b>	<b>1,209,820</b>	<b>400,743</b>	<b>—</b>	<b>323,264</b>	<b>1,615,974</b>	<b>—</b>
Liberia	16	870,970,473	3,800,482	1,477,441	1,305,869	5,187,173	963,489	371,183	—	193,584	1,305,869	—
South Africa (including Namibia)	19	958,787,250	3,428,127	1,333,534	1,119,882	4,624,886	981,925	202,592	—	99,815	1,333,534	—
<b>Asia, total</b>	<b>67</b>	<b>1,841,822,780</b>	<b>6,513,692</b>	<b>2,450,584</b>	<b>1,695,292</b>	<b>7,620,756</b>	<b>1,263,377</b>	<b>400,795</b>	<b>—</b>	<b>372,441</b>	<b>1,695,292</b>	<b>—</b>
Hong Kong	40	1,328,576,318	5,565,555	2,095,692	1,605,197	6,629,984	1,208,517	398,307	—	234,124	2,095,692	—
Indonesia	29	1,279,396,164	5,420,656	2,035,971	1,615,975	6,660,957	1,210,699	398,692	—	249,763	2,035,971	—
Japan (including Okinawa and Ryukyus)	35	1,474,036,183	6,176,991	2,329,831	1,694,457	7,138,320	1,246,595	398,637	—	319,725	2,329,831	—
Philippines	36	1,364,997,293	5,438,305	2,050,571	1,601,698	6,814,822	1,214,653	398,568	—	268,590	2,050,571	—
<b>Oceania, total</b>	<b>53</b>	<b>1,491,601,883</b>	<b>6,084,228</b>	<b>2,280,348</b>	<b>1,628,069</b>	<b>7,240,331</b>	<b>1,239,809</b>	<b>398,637</b>	<b>—</b>	<b>271,419</b>	<b>1,628,069</b>	<b>—</b>
<b>Puerto Rico and U.S. Possessions, total</b>	<b>17</b>	<b>916,771,141</b>	<b>4,256,665</b>	<b>1,623,696</b>	<b>1,380,006</b>	<b>4,768,315</b>	<b>1,012,739</b>	<b>390,255</b>	<b>—</b>	<b>210,870</b>	<b>1,623,696</b>	<b>—</b>
<b>OPEC countries, total (included above)</b>	<b>66</b>	<b>1,578,891,438</b>	<b>6,289,368</b>	<b>2,366,063</b>	<b>1,668,117</b>	<b>7,450,672</b>	<b>1,268,848</b>					

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country												
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than branch operations and specially allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before loss recapture				Other than from branch operations and specially allocable income
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specialty allocable income (Section 863(b))	Other than from branch operations and specially allocable income	
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)		
<b>Banking</b>													
All geographic areas, total	15,895,500	935,731	400,992	13,398,257	1,160,519	—	11,691,953	—	8,107,227	3,903,680	(1)	4,203,547	96,932
Canada	614,244	810	907	529,438	83,089	—	517,312	—	100,742	3,809	—	1,255,259	416,590
Latin America, total	5,156,498	85,414	42,983	4,935,510	112,591	—	3,901,239	—	2,139,946	884,686	—	1,255,259	416,590
Brazil	1,663,472	26,245	34,612	1,564,445	38,169	—	773,397	—	1,246,882	356,807	—	1,255,259	416,590
Ecuador	39,390	103	25	38,029	1,232	—	28,458	—	17,262	6,332	—	354,633	12,790
Mexico	1,534,642	6,591	1,838	1,474,244	51,969	—	1,180,009	—	389,412	34,779	—	1,255,259	416,590
Panama (including Canal Zone)	81,408	12,148	541	65,403	3,316	—	68,679	—	25,058	12,329	—	63,197	—
Venezuela	280,859	23	1	279,297	1,539	—	217,692	—	51,131	-2,087	—	473,361	—
Other Western Hemisphere, total	1,545,526	193,841	5,274	1,344,848	1,782	—	1,072,185	—	848,228	374,857	—	270,386	32,726
The Bahamas	783,966	22,157	18	759,408	2,382	—	513,800	—	621,459	351,074	—	32,726	106,385
Bermuda	99,944	—	—	99,998	247	—	67,218	—	32,726	—	—	—	—
Netherlands Antilles	276,313	171,684	5,256	106,474	-7,101	—	141,928	—	166,953	30,568	—	1,319,874	—
Europe, total	3,574,352	574,823	312,138	2,211,896	475,495	—	2,255,279	—	3,127,320	1,808,248	—	13,519	64,691
Austria	27,541	2,213	1,071	22,031	2,227	—	14,022	—	23,448	9,929	—	8,406	18,455
Belgium	159,572	21,318	11,509	117,885	6,759	—	94,881	—	466,334	401,543	—	6,491	8,406
Denmark	21,831	—	—	25,810	2,221	—	19,425	—	21,470	13,064	—	—	—
France (including Andorra)	224,968	5,207	2,987	188,384	28,300	—	206,513	—	325,482	307,007	—	755,777	—
Italy (including San Marino)	979,587	374,992	199,410	167,969	236,116	—	223,910	—	894,507	138,729	—	505	—
Luxembourg	21,957	1,216	567	13,151	953	—	22,462	—	2,301	2,806	—	-292	—
Netherlands	79,807	2,019	695	64,967	16,447	—	80,099	—	26,785	27,076	—	5,098	—
Norway	18,170	—	—	16,477	1,721	—	13,072	—	5,098	—	—	-10,317	—
Spain	117,390	2,310	1,028	77,738	39,914	—	128,307	—	92,288	102,605	—	14,280	—
Sweden	41,778	10	—	31,491	10,277	—	27,499	—	-106,099	-135,112	—	29,013	—
Switzerland	73,879	10,948	4,425	47,435	11,072	—	44,886	—	958,095	697,305	—	280,791	—
United Kingdom	1,305,452	82,504	49,939	1,092,715	80,495	—	1,044,662	—	235,907	117,074	—	118,833	—
West Germany	264,386	64,420	40,266	125,858	33,842	—	145,553	—	79,142	8,475	—	89,667	—
Africa, total	221,166	43,956	31,263	144,268	1,681	—	151,499	—	151,499	—	—	6,468	—
Liberia	83,912	4,824	4,747	72,714	1,628	—	53,033	—	—	-1,308	—	30,879	—
South Africa (including Namibia)	137,254	—	—	71,554	—	—	—	—	—	—	—	—	—
Asia, total	1,849,874	25,769	7,028	1,727,726	189,351	—	1,482,133	—	990,150	522,409	—	467,741	31,007
Hong Kong	151,054	6,148	1,251	136,599	7,065	—	120,048	—	95,066	65,060	—	4,795	—
Indonesia	28,693	589	184	23,793	4,150	—	23,888	—	30,114	25,319	—	238,328	—
Japan (including Okinawa and Ryukyus)	1,034,972	8,054	186	899,803	128,929	—	798,544	—	389,871	151,543	—	39,796	—
Philippines	148,688	2,217	229	137,995	8,247	—	108,892	—	64,993	25,197	—	—	—
Oceania, total	214,279	5,190	1,138	193,231	14,719	—	148,498	—	71,443	5,680	—	65,783	—
Puerto Rico and U.S. Possessions, total	57,355	275	261	51,757	5,061	—	54,251	—	—	-10,414	—	3,004	—
OPEC countries, total (included above)	414,664	4,280	3,392	394,901	14,111	—	316,089	—	133,111	34,535	—	98,576	—
Tax haven countries, total (included above)	2,071,956	249,145	17,008	1,754,132	51,671	—	1,437,517	—	1,248,890	614,451	—	634,439	—

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued								
	Total	Foreign taxes paid or accrued and deemed paid before reduction							Deemed paid
		Paid or accrued							
		Total	Tax withheld at source on			Other taxes paid or accrued on			
Dividends	Interest		Rents, royalties and license fees	Branch income	Other income				
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)		
<b>Banking</b>									
All geographic areas, total	1,724,997	1,324,005	74,747	585,778	4,288	634,551	24,831	400,992	
Canada	16,801	15,994	89	5,230	489	6,331	3,855	907	
Latin America, total	679,429	636,440	44,857	495,341	1,838	92,455	1,849	42,983	
Brazil	441,095	407,384	38,812	317,531	51	49,935	1,055	34,612	
Ecuador	713	698	12	525	18	132	—	25	
Mexico	126,712	124,874	3,614	109,127	279	11,328	525	541	
Panama (including Canal Zone)	6,838	1,596	5	308	2	1,286	—	—	
Venezuela	—	1,069	—	6,161	52	620	—	—	
Other Western Hemisphere, total	15,215	9,940	2,662	4,275	—	305	2,699	5,274	
The Bahamas	18	—	—	—	—	—	—	—	
Bermuda	—	—	—	—	—	—	—	—	
Netherlands Antilles	11,202	5,946	2,662	410	—	175	2,699	18	
Europe, total	674,377	362,239	21,540	9,214	593	316,007	14,885	5,256	
Austria	1,252	181	110	—	—	71	—	—	
Belgium	91,831	80,322	3,210	1	—	77,109	—	—	
Denmark	491	491	—	—	—	—	—	—	
France (including Andorra)	34,202	31,215	343	12	—	—	—	—	
Italy (including San Marino)	218,992	19,582	1,433	3,112	18	30,382	450	2,987	
Luxembourg	1,652	1,065	23	1,131	7	15,012	—	199,410	
Netherlands	1,069	374	—	266	—	1,061	—	567	
Norway	(1)	(1)	—	—	—	—	—	—	
Spain	41,066	40,037	4	2,269	40	26,301	—	—	
Sweden	4	—	—	2	—	—	—	—	
Switzerland	18,691	14,256	1,480	—	—	—	10,919	1,028	
United Kingdom	165,519	116,581	5,830	3,236	454	12,648	3	4,425	
West Germany	75,764	35,499	7,802	—	64	104,312	2,738	49,939	
Africa, total	47,260	15,998	1,859	—	—	26,864	789	40,266	
Liberia	978	766	—	—	—	—	—	—	
South Africa (including Namibia)	5,513	—	—	—	—	—	—	—	
Asia, total	245,171	238,144	3,025	34,798	440	199,724	157	4,747	
Hong Kong	4,035	2,784	2	1,379	—	1,403	—	—	
Indonesia	29,264	20,499	117	16,879	94	12,409	—	1,251	
Japan (including Okinawa and Ryukyus)	105,968	105,782	27	7,064	100	98,587	4	164	
Philippines	20,512	20,283	242	6,301	9	13,035	97	229	
Oceania, total	15,855	14,717	216	13,213	63	1,224	—	1,138	
Puerto Rico and U.S. Possessions, total	3,290	3,029	44	7	—	2,671	307	261	
OPEC countries, total (included above)	45,943	42,551	2,704	23,583	165	15,799	300	3,382	
Tax haven countries, total (included above)	51,081	34,073	4,388	3,161	79	23,744	2,703	17,008	

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less asset from foreign source before loss recapture), Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for certain foreign taxes, Carryover, Foreign tax credit computed (Before reduction for international boycott operations, Reduction for international boycott operations).

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed

Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Table with columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Dividend gross-up, Interest, Other, Oil and gas extraction gross income (less loss), Deductions other than branch operations and specialty allocable income, Deductions from oil and gas extraction income, Taxable income (less loss) before loss recapture (Total, Foreign branch income), Specialty allocable income (Section 86(b)), Other than from branch operations and specialty allocable income.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**  
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							Deemed paid
	Foreign taxes paid or accrued and deemed paid before reduction							
	Total	Total	Tax withheld at source on			Other taxes paid or accrued on		
			Dividends	Interest	Rents, royalties and license fees	Branch income	Other income	
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Insurance</b>								
All geographic areas, total	237,038	145,250	7,258	15,059	139	82,712	40,082	91,787
Canada	119,725	88,552	1,362	8,825	62	53,038	25,285	31,172
Latin America, total	4,012	1,884	385	727	26	552	174	2,148
Brazil	250	214	76	—	3	106	57	36
Ecuador	119	119	—	—	—	—	10	15
Mexico	656	651	56	586	—	—	9	10
Panama	19	15	—	—	—	—	1	—
Venezuela	15	15	—	—	—	—	14	—
Other Western Hemisphere, total	8,409	124	-5	113	—	14	(1)	8,285
The Bahamas	-4	—	—	—	—	—	—	—
Bermuda	8,148	9	—	9	—	(1)	—	8,139
Netherlands Antilles	65,708	19,833	4,633	2,603	33	6,223	6,341	45,875
Europe, total								
Austria	617	617	45	—	—	469	104	37
Belgium	417	417	414	—	—	—	3	—
Denmark	-52	-52	-55	—	—	645	4	—
France (including Andorra)	668	668	18	—	—	—	82	—
Italy (including San Marino)	82	82	—	—	—	1,575	150	—
Luxembourg	2,905	2,868	756	387	—	—	—	4
Netherlands	19	15	15	—	—	—	(1)	—
Norway	405	405	90	—	—	—	13	—
Spain	78	78	65	—	—	—	14	388
Sweden	408	408	7	—	—	2,395	5,486	44,798
Switzerland	57,722	12,925	2,883	2,160	—	874	—	—
United Kingdom	1,267	1,267	304	—	—	—	(1)	—
West Germany	—	—	3	1	—	—	5	1,331
Africa, total	1,339	6	—	—	—	—	—	6
Liberia	—	8,389	581	22	17	4,309	3,489	40
Asia, total	8,439	304	(1)	—	—	300	1	3
Hong Kong	951	917	38	15	11	3,080	2,972	34
Indonesia	5,876	5,876	473	—	—	523	—	—
Japan (including Okinawa and Ryukyus)	527	527	4	—	—	—	—	—
Philippines	22,331	19,596	1,569	983	—	15,794	1,249	2,935
Oceania, total	6,475	6,475	137	185	—	2,604	3,669	—
Puerto Rico and U.S. Possessions, total	1,300	1,286	38	3	7	1,107	1,111	34
OPEC countries, total (included above)	12,373	4,038	804	398	—	2,110	728	8,335

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**  
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and selected country and IC-DISC and FSC dividends	Number of returns	Total assets	Income and taxes from all sources							Foreign tax credit computed	
			Income subject to U.S. tax	Regular and alternative tax	Foreign tax credits claimed	Taxable income (less loss) from foreign sources before loss recapture	Foreign taxes paid or accrued	Foreign taxes deemed paid	Reduction for certain foreign taxes	Carryover	Before reduction for international boycott operations
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>Holding and other investment companies except bank holding companies</b>											
All geographic areas, total	343	19,505,771	864,552	292,399	46,916	134,421	9,029	39,947	—	14,598	46,916
Canada	137	2,944,939	515,075	165,925	22,107	86,353	4,286	19,539	—	6,008	22,107
Latin America, total	18	841,937	48,166	21,645	14,970	37,401	1,812	13,038	—	8,385	14,970
Brazil	5	410,642	30,453	13,229	11,111	23,446	1,039	9,519	—	7,632	11,111
Mexico	10	343,264	21,869	9,812	4,352	14,873	532	4,020	—	935	4,352
Other Western Hemisphere, total	3	293,821	11,830	3,420	843	3,413	963	58	—	25	843
Europe, total	183	3,187,413	472,764	151,367	33,592	88,765	5,734	27,776	—	9,784	33,592
Belgium	5	770,600	205,023	60,263	327	6,781	138	—	—	275	327
Denmark	22	149,547	7,046	2,272	204	502	222	—	—	—	204
France (including Andorra)	9	1,710,009	304,933	97,611	23,763	26,002	1,281	7,603	—	9,210	23,763
Italy (including San Marino)	7	1,074,537	219,778	66,443	9,195	61,347	1,828	20,785	—	7,685	9,195
Netherlands	83	1,737,219	325,425	96,700	10,357	28,948	1,175	6,696	—	7,408	10,357
Norway	37	58,450	4,204	1,119	2	17	—	—	—	—	2
Spain	4	958,977	217,603	65,834	9,191	25,981	1,276	7,603	—	7,685	9,191
Sweden	39	455,085	35,026	13,839	10,655	26,849	538	9,539	—	8,112	10,655
Switzerland	19	1,013,406	204,561	59,917	1,236	9,183	640	812	—	3	1,236
United Kingdom	72	1,725,905	278,420	85,636	14,682	42,881	2,280	12,224	—	8,367	14,682
West Germany	19	1,426,150	247,423	76,548	13,555	38,794	1,220	12,020	—	9,343	13,555
Africa, total	38	382,958	32,430	11,445	3,713	8,023	886	3,093	—	233	3,713
South Africa (including Namibia)	36	362,958	32,430	11,445	3,713	8,023	886	3,093	—	233	3,713
Asia, total	44	2,756,076	294,849	92,016	14,821	43,891	2,537	12,166	—	8,932	14,821
Hong Kong	8	1,143,605	211,443	62,967	3,254	17,758	214	3,251	—	726	3,254
Japan (including Okinawa and Ryukyus)	37	2,047,907	263,407	78,840	4,120	16,722	1,709	2,696	—	780	4,120
Oceania, total	45	2,076,498	260,889	83,632	14,581	49,548	2,082	11,633	—	9,528	14,581
Puerto Rico and U.S. Possessions, total	45	320,068	36,147	12,945	7,351	15,507	773	5,814	—	7,653	7,351
Tax haven countries, total (included above)	93	2,680,023	378,384	118,450	28,480	70,705	3,548	23,216	—	8,155	28,480

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country											
	Gross income (less loss) excluding branch operations and specially allocable income					Oil and gas extraction gross income (less loss)	Deductions other than from branch operations and specially allocable income	Deductions from oil and gas extraction income	Taxable income (less loss) before loss recapture			
	Total	Dividends	Dividend gross-up	Interest	Other				Total	Foreign branch income	Specialty allocable income (Section 863(b))	Other than from branch operations and specially allocable income
(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	
<b>Holding and other investment companies except bank holding companies</b>												
All geographic areas, total	190,684	59,689	38,949	13,259	78,786	—	61,014	—	134,421	4,771	—	129,650
Canada	50,598	22,648	15,880	158	11,904	—	7,468	—	43,130	—	—	43,130
Latin America, total	2,955	1,237	305	478	933	—	740	—	2,215	—	—	2,215
Brazil	1,728	1,118	300	(1)	310	—	155	—	1,574	—	—	1,574
Mexico	417	100	—	—	318	—	26	—	390	—	—	390
Other Western Hemisphere, total	2,062	258	58	1,187	559	—	1,715	—	347	—	—	347
Europe, total	69,415	29,202	21,295	2,321	16,597	—	10,957	—	61,703	3,244	—	58,459
Belgium	239	—	—	—	239	—	67	—	15	—	—	152
Denmark	53	29	—	—	23	—	882	—	4,955	—	—	37
France (including Andorra)	5,836	1,892	1,306	14	3,125	—	3,090	—	11,931	—	—	4,955
Italy (including San Marino)	15,022	5,107	4,830	—	5,086	—	1,274	—	589	—	—	11,931
Netherlands	1,863	1,008	78	—	777	—	—	—	5	—	—	589
Norway	5	5	1	—	—	—	75	—	721	—	—	6
Spain	797	495	265	—	35	—	160	—	1,976	—	—	721
Sweden	2,136	1,152	853	—	131	—	584	—	918	—	—	1,976
Switzerland	1,502	54	19	261	1,168	—	3,267	—	6,906	1,615	—	918
United Kingdom	8,558	2,448	852	2,038	3,419	—	1,168	—	3,992	—	—	5,290
West Germany	5,161	1,733	1,284	(1)	—	—	—	—	193	—	—	3,992
Africa, total	300	145	1	—	154	—	107	—	192	—	—	193
South Africa (including Namibia)	296	145	1	—	150	—	104	—	192	—	—	192
Asia, total	12,317	4,696	999	385	6,247	—	3,288	—	9,028	—	—	9,028
Hong Kong	4,802	3,366	656	—	211	—	108	—	4,694	—	—	4,694
Japan (including Okinawa and Ryukyus)	4,545	157	13	173	4,203	—	1,705	—	2,841	—	—	2,841
Oceania, total	28,617	503	421	8,721	18,972	—	19,537	—	10,607	1,527	—	9,080
Puerto Rico and U.S. Possessions, total	1,623	120	—	—	1,503	—	72	—	1,551	—	—	1,551
Tax haven countries, total (included above)	36,950	21,016	12,779	1,934	3,221	—	4,505	—	34,445	—	—	34,445

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
**Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and IC-DISC and FSC dividends	Income and taxes from specific geographic area or country—Continued							
	Foreign taxes paid or accrued and deemed paid before reduction							
	Total	Total	Paid or accrued			Other taxes paid or accrued on		Deemed paid
			Dividends	Interest	Rents, royalties and license fees	Branch income	Other income	
(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	
<b>Holding and other investment companies except bank holding companies</b>								
All geographic areas, total	47,976	9,029	3,943	154	764	2,186	1,882	38,947
Canada	18,611	2,731	1,404	21	16	—	1,290	15,880
Latin America, total	760	454	312	—	139	—	3	306
Brazil	580	279	279	—	—	—	—	300
Mexico	117	117	30	—	85	—	2	—
Other Western Hemisphere, total	59	1	—	—	1	—	—	58
Europe, total	24,333	3,040	1,914	78	12	924	113	21,292
Belgium	—	—	—	—	—	—	—	—
Denmark	11	11	9	—	2	—	—	—
France (including Andorra)	1,348	42	33	—	—	—	—	—
Italy (including San Marino)	4,877	47	47	—	9	—	—	1,306
Netherlands	213	135	135	—	—	—	—	4,830
Norway	1	1	1	—	—	—	—	78
Spain	355	89	89	—	—	—	—	266
Sweden	991	138	138	—	—	—	—	853
Switzerland	110	91	13	78	—	—	—	19
United Kingdom	1,630	950	143	—	—	—	—	650
West Germany	1,313	49	49	—	—	694	113	1,264
Africa, total	46	45	24	—	22	—	—	1
South Africa (including Namibia)	45	44	24	—	20	—	—	—
Asia, total	1,828	639	158	46	437	—	—	989
Hong Kong	605	(1)	(1)	—	—	—	—	—
Japan (including Okinawa and Ryukyus)	172	159	25	17	117	—	—	605
Oceania, total	1,202	780	6	9	28	727	10	421
Puerto Rico and U.S. Possessions, total	580	580	17	—	—	—	563	13
Tax haven countries, total (included above)	14,294	1,516	1,405	78	33	—	—	12,779

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

Table with 13 columns: Selected industry and selected country and IC-DISC and FSC dividends, Number of returns, Total assets, Income subject to U.S. tax, Regular and alternative tax, Foreign tax credit claimed, Taxable income (less loss) from foreign sources, Foreign taxes paid or accrued, Foreign taxes deemed paid, Reduction for certain foreign taxes, Carryover, Before reduction for international boycott operations, Reduction for international boycott operations. Rows include Services, All geographic areas, Canada, Latin America, etc.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

Table with 13 columns: Selected industry and selected country and IC-DISC and FSC dividends, Total, Dividends, Dividend gross-up, Interest, Other, Oil and gas extraction gross income (less loss), Deductions from oil and gas extraction income, Taxable income (less loss) before loss recapture, Total, Foreign income, Specially allocable income (Section 963(b)), Other than from branch operations and specially allocable income. Rows include Services, All geographic areas, Canada, Latin America, etc.

Footnotes at end of table.

Returns with Form 1118 Filed in Support of Foreign Tax Credit Claimed  
Table 1.—Total Assets, Income, Tax and Credits and Foreign Income, Taxes and Credit, by Selected Industry and by Selected Country to which Foreign Taxes were Paid—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected industry and selected country and U.S. DISC and FSC credits	Income and taxes from specific geographic area or country—Continued									
	Paid or accrued					Paid or accrued				
	Total	Dividends	Interest	Branch income and other items	Other income paid or accrued on	Total	Dividends	Interest	Branch income	Other income paid or accrued on
(28)	(27)	(26)	(25)	(24)	(23)	(22)	(21)	(20)	(19)	(18)
<b>Services</b>										
All geographic areas, total	294,259	139,125	2,463	48,142	48,908	35,556	155,132			
Canada	46,721	6,893	1,086	4,694	21	2,129	37,829			
Latin America, total	21,868	15,204	102	10,780	3,007	362	6,302			
Brazil	6,168	5,145	634	2,973	1,538	—	1,741			
Colombia	6,174	5,116	68	5,688	292	267	2,153			
Costa Rica	1,048	681	3	69	46	37	387			
Venezuela	6,385	—	5	541	—	—	6,385			
Other Western Hemisphere, total	6,385	—	—	—	—	—	—			
The Bahamas	—	—	—	—	—	—	—			
Netherlands Antilles	6,385	—	—	—	—	—	—			
Europe, total	130,628	55,968	716	6,110	33,803	7,433	74,981			
Austria	2,470	103	8	8	1,093	116	2,233			
Belgium	7,013	2,457	22	28	1,288	171	4,556			
France (including Andorra)	6,106	3,555	65	2,125	1,832	1,429	2,541			
Germany (including Saar)	10,007	4,954	51	2,125	1,832	52	2,541			
Italy	9,670	2,982	521	4	2,057	2	7,088			
Netherlands	8,329	6,073	717	4	2,734	61	2,303			
Sweden	2,305	2	—	—	—	—	2,303			
Switzerland	9,859	11,885	119	79	121	2	4,474			
Spain	20,757	2,833	216	23	16,395	1,309	12,168			
United Kingdom	42,324	20,757	2,833	23	16,395	1,309	21,337			
West Germany	9,640	3,784	488	1	1,123	1,865	5,858			
Africa, total	5,791	505	84	16,770	6,339	6	14,985			
South Africa (including Namibia)	51,844	38,879	987	323	16,770	10,578	14,985			
Asia, total	2,037	363	—	554	979	648	1,874			
Hong Kong	31,553	10,112	795	12,962	4,710	—	12,543			
Japan (including Okinawa and Ryukyu)	620	349	—	4,939	320	18	3,034			
Philippines	9,494	6,459	674	4,756	320	18	2,916			
Oceania, total	9,175	6,259	588	359	1,464	2,208	2,208			
Australia	9,175	6,259	588	359	1,464	2,208	2,208			
Puerto Rico and U.S. Possessions, total	13,282	12,867	18	6	2,208	8,221	385			
OEPEC countries, total (including Mexico)	35,301	4,744	848	677	2,898	349	30,457			
Other countries, total (including above)	—	—	—	—	—	—	—			

Note: Data may not add to total because only selected industries and countries are included.

The Tax Reform Act of 1986 made a number of important changes to the foreign tax credit provisions of the Internal Revenue Code. Among these were changes to the required allocation of foreign income, deductions, and taxes to separate categories for purposes of calculating the foreign tax credit limitation. For tax years beginning after 1986, a corporation must compute its foreign tax credit for nine separate types of income (instead of the five types of income for pre-1987 calculations). These types of income include passive income, high withholding tax interest, financial services income, shipping income, dividends from each noncontrolled section 902 corporation, dividends from a Domestic International Sales Corporation (DISC) or former DISC, taxable income attributable to the foreign trade income of a Foreign Sales Corporation (FSC), certain distributions from a FSC or former FSC, and all other income [1]. Table 2 contains aggregate data for all corporate returns with a foreign tax credit for each income type. No data are available for taxable income attributable to the foreign trade income of a FSC because FSC returns were not included in the 1988 study. Also, note that taxpayers must compute a separate credit for dividends from each noncontrolled section 902 corporation. Therefore, a single taxpayer may have multiple credits for this income type. The data for each taxpayer were aggregated at the return level.

Given the substantial changes to the law relating to the foreign tax credit, the scope of the 1988 study was reduced from that for prior years. For 1988, only limited information related to the calculation of the foreign tax credit was processed. However, limited data are available aggregated by the industry of the taxpayer. Table 1 contains these data.

One of the most interesting aspects of the 1988 data is the large increase in foreign source taxable income from prior years. Foreign source taxable income increased from \$65.8 billion for 1986 to \$98.4 billion for 1988. This increase of nearly fifty percent appears to have been fueled in part by the substantial increase in distributions from foreign corporations. Dividends from foreign corporations increased by seventy-eight percent from 1986 and 1988 (from \$21.6 billion to \$38.4 billion). In addition, includable income from Controlled Foreign Corporations increased

by 228 percent from \$3.9 billion for 1986 to \$12.8 billion for 1988.

The type of income information in Table 2 shows foreign-source taxable income and foreign taxes by the type of income for which a separate foreign tax credit limitation was calculated. The four types of income with the largest amounts of income and taxes are all other income, financial services income, passive income and dividends from noncontrolled section 902 corporations. Congress created the separate categories for passive income and financial services income to prevent corporations from cross-crediting their foreign taxes. Cross-crediting occurs when the use of the overall limitation allows a corporation to credit relatively high foreign taxes on some foreign-source income against the U.S. tax that would otherwise be due on other foreign-source income that is subject to a relatively low foreign tax [2]. For 1988, the sum of taxes paid or accrued and taxes deemed paid was 35.5 percent of foreign-source taxable income for all other income, but only 10.7 percent for passive income and 14.8 percent for financial services income. In addition, dividends from noncontrolled section 902 corporations were also taxed at a relatively high effective rate of 35.1 percent.

The information provided in these two tables are preliminary. These data have not been fully tested and corrected. Therefore, some inconsistencies may exist. (Final 1988 data will be published in the *Statistics of Income Bulletin*.) The data in columns 1 through 8 of Tables 1 and 2 are reported on Form 1120, U.S. Corporation Income Tax Return. The data in columns 9 through 11 of Tables 1 and 2 are reported on Form 1118, Computation of Foreign Tax Credit - Corporations. A corporation must file a separate Form 1118 for each income type for which it must calculate a foreign tax credit limitation. However, a corporation files only one Form 1120. If a corporation files more than one Form 1118, its Form 1120 data will appear for each appropriate income type. Therefore, the Form 1120 data in columns 1 through 8 of Table 2 are not additive.

[1] See "Statistics of Income Studies of International Income and Taxes" in Section 2 of this compendium for additional information regarding the post-1986 income

types. A noncontrolled Section 902 corporation is a foreign corporation, with between ten and fifty percent of its stock owned by a U.S. corporation.

[2] Joint Committee on Taxation, General Explanation of the Tax Reform Act of 1986, May 4, 1987, p. 862.

### 1988 Corporate Foreign Tax Credit, Preliminary Data

Table 1 -- Total Assets, Dividends, Income and Taxes and Foreign Income, Taxes and Credit Claimed as Reported on Form 1120 and Form 1118, by Industry

[All figures are estimates based on samples -- money amounts are in thousands of dollars]

Industry	Number of returns	Total assets	Income and dividends received from foreign corporations			Income subject to U.S. tax
			Dividends received	Includable income	Dividend gross-up	
	(1)	(2)	(3)	(4)	(5)	(6)
All industries, total.	4,166	6,278,590,988	38,390,891	12,778,326	19,905,256	222,753,459
Agriculture, forestry and fishing.....	32	1,535,153	33,005	1,654	18,057	204,460
Mining.....	120	36,225,990	485,889	82,350	366,823	2,541,249
Construction.....	216	10,045,312	249,180	37,419	35,654	592,914
Manufacturing.....	1,411	2,003,898,742	32,409,019	9,364,629	17,049,218	152,352,680
Transportation and public utilities.....	87	417,892,042	1,642,000	342,892	414,472	22,457,294
Wholesale trade.....	630	143,295,178	1,139,832	632,400	523,538	5,932,667
Retail trade.....	188	178,606,204	432,219	87,889	233,565	8,223,727
Finance, insurance and real estate.....	893	3,373,790,006	1,311,483	2,086,890	904,453	25,002,770
Services.....	589	113,302,360	688,264	142,202	359,475	5,445,697

Industry	U.S. income tax before credits	Foreign tax credit claimed	Foreign income and taxes available for credit as reported on Form 1118		
			Total taxable income (less loss)	Total taxes paid or accrued	Total taxes deemed paid
	(7)	(8)	(9)	(10)	(11)
All industries, total.....	75,779,029	26,661,972	98,384,086	9,372,541	20,869,329
Agriculture, forestry and fishing.....	69,289	21,042	68,531	5,593	16,295
Mining.....	863,341	644,453	1,944,830	618,565	181,524
Construction.....	200,989	89,809	324,414	10,984	35,616
Manufacturing.....	51,825,483	21,561,896	70,291,626	6,166,348	18,516,438
Transportation and public utilities.....	7,635,779	417,977	2,848,309	113,495	399,368
Wholesale trade.....	2,015,639	715,993	2,455,794	491,075	257,325
Retail trade.....	2,797,751	318,576	1,081,271	102,589	234,201
Finance, insurance and real estate.....	8,520,879	2,321,661	16,884,525	1,603,956	872,344
Services.....	1,849,879	571,364	2,484,786	259,938	356,218

1988 Corporate Foreign Tax Credit, Preliminary Data

Table 2 -- Total Assets, Dividends, Income and Taxes and Foreign Income, Taxes and Credit Claimed as Reported on Form 1120 and Form 1118, by Income Type

[All figures are estimates based on samples -- money amounts are in thousands of dollars]

Income type	Number of returns	Total assets	Income and dividends received from foreign corporations			Income subject to U.S. tax
			Dividends received	Includable income	Dividend gross-up	
	(1)	(2)	(3)	(4)	(5)	(6)
All income types, total.....	4,166	6,278,590,988	38,390,891	12,774,284	19,905,038	222,753,459
Passive income.....	633	2,452,996,503	31,360,664	9,002,162	15,575,937	143,908,294
High withholding tax interest.....	366	2,282,836,733	11,930,063	4,768,987	5,987,020	66,447,486
Financial services income.....	307	4,152,072,670	18,463,667	7,741,940	9,042,874	90,504,822
Shipping income.....	31	692,983,088	4,415,896	2,936,197	3,333,434	32,139,919
Dividends from a non-controlled Section 902 corporation.....	392	3,103,040,807	27,385,070	8,472,098	14,060,134	123,002,449
Dividends from a DISC or former DISC.....	47	358,656,741	3,278,716	1,503,324	1,184,520	18,705,794
Certain distributions from a FSC or former FSC.....	17	105,322,944	1,508,830	1,132,925	897,360	13,194,362
All other foreign source income.....	3,349	3,556,510,425	37,600,402	11,376,235	19,314,974	199,943,630

Income type	U.S. income tax before credits	Foreign tax credit claimed	Foreign income and taxes available for credit as reported on Form 1118		
			Total taxable income (less loss)	Total taxes paid or accrued	Total taxes deemed paid
	(7)	(8)	(9)	(10)	(11)
All income types, total.....	75,779,029	26,661,972	98,381,420	9,372,541	20,869,329
Passive income.....	48,948,795	19,979,155	3,745,400	135,311	266,106
High withholding tax interest.....	22,604,062	9,189,209	333,441	42,253	6,054
Financial services income.....	30,797,253	12,703,593	16,200,736	1,631,489	772,130
Shipping income.....	10,927,572	4,651,707	576,291	30,401	6,471
Dividends from a non-controlled Section 902 corporation.....	41,837,408	19,109,111	2,383,965	187,283	650,636
Dividends from a DISC or former DISC.....	6,366,501	2,066,023	87,690	3,480	2,189
Certain distributions from a FSC or former FSC.....	4,486,357	1,066,454	381,651	--	153
All other foreign source income.....	67,998,626	24,895,437	74,672,246	7,342,324	19,165,588

Section 3

Controlled Foreign Corporations

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Table 2.--Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation, p. 264.

A Controlled Foreign Corporation (CFC) is a foreign corporation at least 50% of whose stock is owned by U.S. shareholders. A U.S. shareholder includes any U.S. citizen or resident or U.S. corporation. Public Law 86-780 requires that information about a controlling interest in a foreign corporation be filed with the Internal Revenue Service. A U.S. person must file a Form 5471 for each foreign corporation, for which it owns, either directly or through a chain of ownership, more than 10 percent of the voting stock of the foreign corporation. On the Form 5471, the U.S. person

must include detailed information about the CFC's income, deductions, assets, liabilities, includable income, and transactions with related parties.

This section provides a detailed discussion of information filed for these foreign corporations by reprinting two previously published Statistics of Income Bulletin articles. Each article is based on a study done in 1984. The first article analyzes the data from a geographic perspective. The second article analyzes the information by industry of the U.S. person and the CFC. Following the two articles is a table of information from the 1986 CFC study. This table shows selected information for the "Top 7500" Controlled Foreign Corporations. This distinction is explained further in the paper preceding the table. In addition, selected preliminary 1988 data are contained in the last two tables.

The reader is also referred to Section 15 of this compendium, which contains copies of selected tax forms and instructions. The information provided about Controlled Foreign Corporations in this compendium is based on the tax forms and instructions listed below:

\* Form 1120, U.S. Corporation Income Tax Return, and Instructions (p. 459)

\* Form 5471, Information Return with Respect to a Foreign Corporation (p. 502)

\* Schedule M (Form 5471), Foreign Corporation Controlled by a United States Person (p. 510)

\* Schedule N (Form 5471), Foreign Personal Holding Company (p. 510)

\* Schedule O (Form 5471), Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of Its Stock (p. 511)

## Focus

By Margaret P. Lewis\*

The number of foreign subsidiaries of large U.S. multinational corporations increased modestly (6 percent) from 1982 to 1984. In 1984, more than 1,100 U.S. multinational corporations controlled over 28,500 foreign corporations, 27,000 of which reported financial information [1,2]. These 27,000 Controlled Foreign Corporations (CFC's) generated receipts of \$625 billion on \$595 billion of assets. Earnings and profits of these same CFC's were \$49 billion, on which almost \$20 billion in taxes were paid to foreign countries. The U.S. parent corporations received \$12 billion in dividends from their CFC's, nearly 70 percent of all distributions made by the CFC's.

Total assets and receipts of CFC's changed only slightly from 1982 levels. Assets increased 7 percent while receipts decreased less than 4 percent. The most dramatic change from 1982 was in the profit level of these foreign corporations. Pre-tax earnings and profits of CFC's increased 32 percent from 1982 while taxes paid by these same companies rose almost 40 percent. These increases resulted in a 28 percent rise in after-tax earnings and profits from 1982 to 1984.

More than one-half of active CFC's were involved mainly in manufacturing or trade activities in 1984. Another 30 percent of CFC's reported their principal activity as either finance, insurance, real estate or services. These percentages remained virtually unchanged from 1982. Almost 6,300 CFC's, 23 percent of the 27,000 total companies, were inactive during 1984.

### BACKGROUND

Prior to World War II, relatively few U.S. corporations had operations outside of the United States [3]. Those corporations that did look to other countries for expansion turned mostly to Europe and Canada as viable areas in which to operate. After World War II, U.S. corporations were encouraged politically, through programs like the Marshall Plan, and economically, through various concessions by

foreign countries, to expand their operations overseas. The Marshall Plan provided economic aid to countries recovering from the impact of World War II. The Plan also encouraged U.S. businesses to participate in the economic recovery of Europe. Many foreign countries, in an attempt to attract U.S. operations and dollars, offered very favorable investment climates including low taxes, ease of incorporation, and various other concessions [4].

U.S. corporations began their move overseas, usually by establishing a foreign market for exported goods and through foreign investment. Once these were established, the U.S. corporation might form a branch operation by establishing a place of business in the foreign country or by creating or purchasing a subsidiary, incorporated in the foreign country.

Public Law 86-780 was enacted in 1960 to obtain information on the foreign subsidiaries of U.S. corporations. This law required a U.S. corporation to furnish, as part of its income tax return, information on any foreign corporations it directly controlled (i.e., "tier-one" subsidiaries) and on any foreign corporations controlled by these directly controlled foreign corporations (i.e., "tier-two" subsidiaries). Control was defined as direct or indirect ownership of more than 50 percent of the combined voting power of all classes of stock, or more than 50 percent of the total value of all shares of stock by a single shareholder during the foreign corporation's taxable year.

These foreign activities by U.S. corporations were precipitated by many factors. Some companies went overseas to move their operations closer to resources, others looked for cheaper labor and other costs, and many were attracted by favorable tax considerations and investment incentives. Still others moved to be closer to their market. U.S. tax laws made it economically beneficial for U.S. corporations to operate overseas by exempting from U.S. income tax the unrepatriated earnings and profits of a foreign subsidiary. To the extent the

\* Foreign Returns Analysis Section. Prepared under the direction of Chris R. Carson, Chief.

foreign taxes were lower than U.S. taxes, this exemption was an impelling reason for U.S. corporations to form overseas subsidiaries. These subsidiaries enjoyed legal status as a resident corporation in the foreign country, with the benefits of its laws and regulations, which were often less stringent than the U.S. laws. The earnings and profits of the CFC were protected from U.S. taxation until they were repatriated in the form of dividends to the U.S. parent. U.S. taxes could be delayed by deferring a distribution until such a time as it could be offset by a parent corporation's losses or excess foreign tax credits. U.S. taxes could also be lowered on repatriated earnings, for example, through an ordinary taxable liquidation, sale, or exchange of assets of the CFC. In this case, the U.S. parent company would pay tax at the lower capital gains rate that was applicable before 1987.

The Revenue Act of 1962 reduced this tax deferral by requiring the taxation of certain unrepatriated profits of a foreign subsidiary through the addition of Subpart F to the Internal Revenue Code [5]. The types of income that were then taxable by the United States were referred to as "Subpart F income" and included income from the insurance of U.S. risks, "passive" types of income in general, and income derived from certain types of sales and services [6]. In addition, the 1962 legislation restricted the conversion of tax-deferred accumulated earnings and profits into capital gains, thus preventing regular income from being taxed at the lower capital gains rate.

The 1962 Act also redefined the term Controlled Foreign Corporation. In general, a foreign corporation was considered controlled if more than 50 percent of the voting stock of the foreign corporation was owned by U.S. shareholders for 30 days or more of the foreign corporation's taxable year, but only if they had at least a 10 percent interest. All such foreign corporations' undistributed earnings and profits, to the extent such earnings and profits represented Subpart F income (see the "Explanation of Selected Terms" section at the end of this article), were subject to taxation through their U.S. shareholders. The 1962 legislation also expanded the filing requirements for CFC's to include all lower-tier foreign corporations controlled, through other foreign subsidiaries, by a U.S. corporation [7].

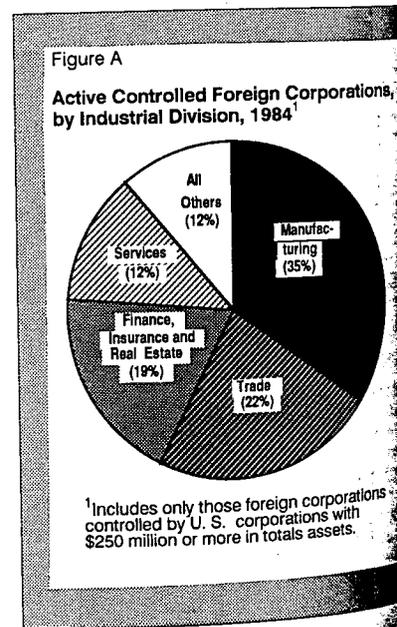
The Tax Reduction Act of 1975 expanded the definition of Subpart F income. An exception permitting tax deferral of a portion of Subpart F income reinvested in tax-defined "less-developed countries" was repealed for CFC's with accounting periods beginning in 1976 and thereafter. Also, before the 1975 Act, income was not treated as Subpart F if it

accounted for 30 percent or less of a CFC's gross income. This percentage was reduced to 10 percent, limiting the amount of income that could avoid treatment under Subpart F. Finally, some types of shipping income received by foreign subsidiaries of U.S. corporations, which were previously excluded from Subpart F income, were now included. As a result of these and other actions, the tax deferral privileges of CFC's were reduced, but not entirely eliminated.

Several amendments, after 1975, to the Internal Revenue Code redefined Subpart F income [8]. For a full explanation of Subpart F, see "Explanation of Selected Terms."

#### INDUSTRIAL ACTIVITY OF CONTROLLED FOREIGN CORPORATIONS

In 1984, there were 20,736 foreign corporations actively involved in business operations that were controlled either directly or indirectly by large U.S. multinational or U.S. "giant" corporations. As Figure A shows, 35 percent (or 7,259) of these CFC's were primarily engaged in manufacturing activities. These manufacturing CFC's generated more business receipts (\$341 billion) and pre-tax earnings and



profits (\$23 billion) than any other industrial division, while finance, insurance, and real estate CFC's had the largest assets (\$228 billion). Manufacturing, trade, finance, insurance and real estate; and service subsidiaries accounted for almost 90 percent of all active CFC's in 1984. CFC's in these four industrial divisions also held 92 percent of the assets, received 94 percent of the receipts, generated 84 percent of the pre-tax earnings and profits and reported 93 percent of the Subpart F income for all active CFC's.

As in 1982, manufacturing CFC's were primarily involved in producing chemicals, machinery, and electrical and electronic equipment, with these industries accounting for 47 percent of all manufacturing CFC's, 43 percent of manufacturing assets, and 53 percent of the pre-tax earnings and profits of manufacturing CFC's. Integrated petroleum companies and motor vehicle manufacturers, however, garnered over 40 percent of manufacturing CFC business receipts.

Wholesale trade CFC's outnumbered retail trade CFC's by more than four to one. Wholesale trade generated more receipts and earnings than retail trade and reported assets five times greater than retail trade CFC's. Of those in wholesaling, CFC's classified under integrated petroleum and petroleum products accounted for 50 percent of the assets, 64 percent of the receipts and 72 percent of the pre-tax earnings and profits.

No one specific industry dominated the finance, insurance and real estate, or service CFC's. However, CFC's in the finance, insurance and real estate industries held more assets (\$228 billion) than any other industrial division. These same CFC's also accounted for 54 percent of the total reported Subpart F income.

#### PROFITABILITY OF CFC'S AND THEIR U.S. PARENT CORPORATIONS

CFC profitability rose 1.6 percent from 1982 to 1984 while the profitability of their U.S. parent companies rose only 0.3 percent in this same time period. Profitability (as measured by the return on assets) was determined by the ratio of earnings and profits or net income (both before taxes) to total assets [9].

Figure B shows the relative return on assets for U.S. multinationals and their CFC's by selected industry. Based on this measure, the most profitable CFC's were in the mining industry which may, in part, be due to the expensing of many costs, thus biasing downward the asset measure for this industry. Oil and gas extraction companies in particular were very profitable with a margin of nearly 30 percent. This

Figure B.—Relative Return on Assets of Large U.S. Multinational Corporations and Their CFC's, by Selected Industry, 1984<sup>1</sup>

Selected industry	Return on Assets <sup>2</sup>	
	U.S. corporations	CFC's
All industries <sup>3</sup>	2.9%	8.2%
Agriculture, forestry and fishing	10.5	3.9
Mining	1.8	25.3
Metal mining	1.1	3.1
Oil and gas extraction	1.7	29.8
Construction	0.1	0.2
Manufacturing	4.9	10.5
Food and kindred products	4.6	12.8
Apparel and other textile products	7.5	8.7
Paper and allied products	6.2	9.9
Printing and publishing	11.7	10.6
Chemicals and allied products	6.0	11.1
Petroleum (including integrated) and coal products	5.1	7.7
Rubber and miscellaneous plastic products	6.2	10.7
Stone, clay and glass products	5.1	9.3
Primary metal industries	-0.6	5.0
Fabricated metal products	4.4	10.1
Machinery, except electrical	5.8	18.8
Electrical and electronic equipment	4.0	9.3
Motor vehicles and equipment	5.7	5.8
Instruments and related products	7.7	10.7
Transportation and public utilities	2.3	4.0
Water transportation	-0.4	-0.9
Wholesale and retail trade	3.1	12.2
Finance, insurance and real estate	0.2	3.0
Banking	0.3	1.2
Credit agencies other than banks	-0.3	2.9
Insurance	0.1	4.5
Real estate	1.2	3.3
Holding and other investment companies, except bank holding companies	-0.2	4.6
Services	2.7	8.5

<sup>1</sup> U.S. parent corporations and CFC's were separately classified by the industry that generated the greatest portion of their total receipts.

<sup>2</sup> Excludes CFC's the ratios of whose business was not allocable by industry.

<sup>3</sup> The CFC return on assets is the ratio of pre-tax earnings and profits to total assets. The U.S. return on assets is the ratio of net income before tax to total assets. See also footnote 8 at the end of this article.

industry also was the leader in 1982 with a 22 percent return on assets. The least profitable group was the finance, insurance and real estate division with a 3.0 percent return on assets for the CFC's, but this measure is also somewhat misleading for this industry.

The only industry to post a negative CFC return was water transportation, although the transportation and public utility division as a whole had a positive return on assets of 4.0 percent. Water transportation also had a negative return on assets for 1982. The loss to asset ratio however shrank from -3.2 percent to -0.9 percent. The number of CFC's reporting their principal business activity as water transportation fell nearly 25 percent from 1982 to 1984. This was partly in response to the losses incurred in the early 1980's due to ship overbuilding during a period of world recession, and partly due to the reduction in shipping revenues due to discoveries of oil in the North Sea and Mexico which shortened the distance between source and destination [10].

The return on assets for U.S. corporations involved primarily in agriculture, forestry and fishing

exceeded that for CFC's in the same industrial division. The returns were 10.5 percent and 3.9 percent, respectively. This movement continued from 1982 when large losses were incurred by Liberian CFC's operating rubber plantations to supply the motor vehicle industry. However, these Liberian subsidiaries reported modest profits for 1984, reflecting the beginnings of economic recovery from the recession of the early 1980's [11].

### TRANSACTIONS OF CONTROLLED FOREIGN CORPORATIONS

Transactions between the U.S. affiliated groups (that included the parent corporation and its U.S. subsidiaries) and their CFC's resulted in net payments to the U.S. affiliates of \$27.8 billion in 1984 as shown in Figure C [12]. Therefore, these transactions (e.g., purchases or sales of stock in trade; and dividends, interest, and rents paid or received) did not contribute to the U.S. current account deficit of \$106.5 billion in 1984 [13].

While the U.S. current account deficit grew over 1,100 percent from 1982 to 1984, the net payments surplus between the U.S. affiliated groups and their related CFC's fell by only 14 percent from 1982 to 1984 [14,15].

Figure C.—Receipts, Payments and Transaction Balance Surplus Between Controlled Foreign Corporations and Their U.S. Parent Affiliated Groups, by Selected Industry of U.S. Parent Corporation, 1984

(Money amounts are in millions of dollars)

Selected U.S. industry	CFC receipts	CFC payments	Surplus
	(1)	(2)	(3)
All industries <sup>1</sup>	\$69,590	\$96,425	\$27,835
Agriculture, forestry and fishing	33	40	7
Mining	378	792	414
Metal mining	15	17	2
Oil and gas extraction	359	772	413
Construction	107	250	143
Manufacturing	\$9,361	\$6,309	\$27,948
Food and kindred products	952	1,842	890
Apparel and other textile products	22	57	35
Paper and allied products	552	1,069	517
Printing and publishing	234	172	606
Chemicals and allied products	3,150	9,245	7,635
Petroleum (including integrated) and coal products	18,874	26,509	83
Rubber and miscellaneous plastic products	808	691	262
Stone, clay and glass products	207	469	1,325
Primary metal industries	579	1,914	1,115
Fabricated metal products	130	1,245	848
Machinery, except electrical	5,555	11,973	1,491
Electrical and electronic equipment	5,714	7,205	-1,157
Motor vehicles and equipment	18,907	17,790	3,406
Instruments and related products	911	4,317	-1,733
Transportation and public utilities	2,369	636	-124
Water transportation	144	20	1,351
Wholesale and retail trade	4,132	5,483	-569
Finance, insurance and real estate	2,996	2,428	-12
Banking	2,921	2,009	-78
Credit agencies other than banks	247	169	-376
Insurance	504	128	5
Real estate	1	73	-11
Holding and other investment companies, except bank holding companies	73	488	274
Services	214		

<sup>1</sup> Includes CFC's the nature of whose business was not allocable by industry.

The greatest net payments surplus was realized by U.S. affiliated groups involved in the manufacturing of petroleum (including integrated) and coal products. This industry showed a surplus of \$7.6 billion in 1984. Other large surpluses were realized by U.S. affiliated groups involved in manufacturing of non-electrical machinery and chemicals and allied products. Together, these top three industries accounted for 72 percent of the \$27.8 billion surplus.

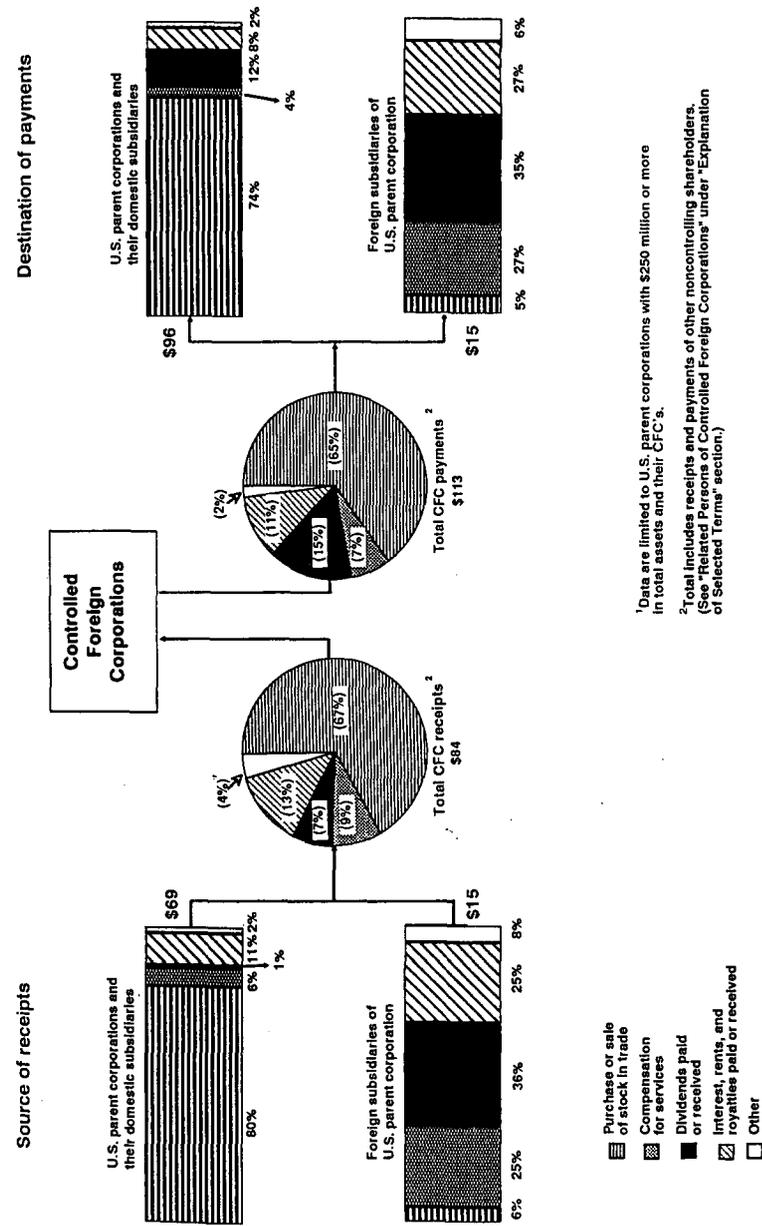
Net payments deficits showed up in the transportation and public utilities and finance, insurance and real estate industrial divisions. These deficits were \$1.7 billion and \$568 million, respectively. In 1982, the U.S. groups in the transportation and public utilities industries had a deficit of over \$400 million while finance, insurance and real estate companies had a small surplus of \$50 million.

Purchases of stock in trade (i.e., purchases of merchandise in the ordinary course of trade or business) by CFC's from their U.S. affiliates and related foreign companies (\$71.9 billion) was greater than all other CFC payments combined, as is shown in Figure D. Most purchases of stock in trade were made from the U.S. parent corporation and its domestic affiliates, \$71.1 billion, rather than from related foreign corporations. Payments to related

Figure D

### Flow of Receipts and Payments Between Controlled Foreign Corporations and Related Corporations, 1984<sup>1</sup>

(Percentage of total and billions of dollars)



<sup>1</sup>Data are limited to U.S. parent corporations with \$250 million or more in total assets and their CFC's.

<sup>2</sup>Total includes receipts and payments of other noncontrolling shareholders. (See "Related Percent of Controlled Foreign Corporations" under "Explanation of Selected Terms" section.)

CFC's were more likely to be in the form of compensation for services, dividends, or interest, rents and royalties.

More than 80 percent of CFC payments to related corporations were made to their U.S. parent corporations or their domestic subsidiaries. As Figure D shows, the U.S. affiliates received \$96.4 billion from CFC's in 1984, while paying them \$68.6 billion in return. CFC receipts from related foreign corporations were only \$14.6 billion and payments to these foreign corporations were \$15 billion.

Sales of stock in trade were the largest source of receipts for CFC's. Receipts from the sale of stock in trade to the U.S. parent corporation and its domestic subsidiaries totaled \$54.9 billion in 1984. This was 66 percent of all CFC receipts from related persons. CFC receipts from related foreign corporations were more often dividends (\$5.2 billion); interest, rents and royalties (\$3.7 billion); and compensation for services (\$3.7 billion), rather than sales of stock in trade (\$0.9 billion).

CFC transactions with related persons are very significant when they are compared with U.S. exports and imports. U.S. exports in 1984 totaled \$217.9 billion of which almost one-third (\$71.1 billion) was due to CFC purchases of stock in trade from U.S. parent corporations and their domestic subsidiaries. Sales of stock in trade by CFC's to the U.S. affiliated group (\$54.9 billion) accounted for almost 17 percent of U.S. imports for 1984 (\$325.7 billion). These percentages decreased only slightly compared to 1982; therefore CFC transactions with U.S. parents and affiliates did not quite keep pace with the growth in both U.S. exports and imports [16].

#### RECENT CFC INCORPORATIONS

Figure E shows the number of incorporations of CFC's for 1975 to 1984 and the total amount of 1984 CFC assets. New incorporations of CFC's appear to have peaked about 1980 and then began a gradual decline. There was, however, a slight rise from 1983 to 1984, possibly an effect of the recovery from the recession of the early 1980's and an eagerness for expansion by large U.S. multinationals. The number of incorporations for 1984 may actually have been larger than 1,086 since the data include only CFC's whose accounting periods ended within the parent corporation's accounting period. Those CFC's incorporated later in the year may have had accounting periods ending later than their parent's and, therefore, would not be included in the statistics.

In 1984, 1,086 CFC's were incorporated by large U.S. multinational corporations. These CFC's had

Figure E.—Number and Total Assets of CFC's Incorporated After 1974, by Year of Incorporation

(Money amounts are in millions of dollars)

Year of incorporation	Number of CFC's	1984 total assets
All years, total	27,008	\$595,406
1984	1,086	11,098
1983	1,004	15,131
1982	1,129	22,844
1981	1,130	25,591
1980	1,179	19,589
1979	1,037	20,457
1978	973	18,974
1977	807	15,744
1976	755	8,923
1975	749	7,890
Pre-1975	17,159	\$28,996

just over \$11 billion in assets and generated \$32 million in earnings and profits before taxes as shown in Figure F. The new CFC's in mining, construction, and wholesale and retail trade generated large losses, possibly reflecting high start-up costs.

Figure F.—Number, Total Assets and Earnings and Profits of CFC's Incorporated in 1984, by Selected Industry

(Money amounts are in millions of dollars)

Selected industrial divisions	Number of CFC incorporations	Total assets	Earnings and profits
	(1)	(2)	(3)
All industries <sup>1</sup>	1,086	\$11,098	\$32
Mining	45	981	-46
Construction	11	37	-2
Manufacturing	189	1,381	2
Transportation and public utilities	25	310	3
Wholesale and retail trade	132	1,261	-6
Finance, insurance and real estate	149	6,308	78
Services	94	388	30
Inactive	421	211	—

<sup>1</sup> Includes CFC's the nature of whose business was not allocable by industry

More than one-half of all assets held by newly incorporated CFC's were held by those in the finance, insurance and real estate division, with 25 percent of these assets held specifically by holding and other investment companies. These CFC's also generated the largest amount of pre-tax earnings and profits, \$78 million. Greater than one-third of newly incorporated CFC's were inactive for 1984. This reflects the practice of incorporating to establish a presence abroad in anticipation of future operations. Many large U.S. corporations establish CFC's at the end of one tax year but do not begin operations until the next year.

Figure G shows all CFC's and their assets by selected industry compared to CFC's incorporated after 1974 and their assets. While 36 percent of all CFC's were incorporated after 1974, these CFC's held only 28 percent of all assets indicating that newer CFC's tend to be smaller. Many are nameholder corporations with few assets. More than one-half of all CFC's in the mining industry were incorporated in the 10-year period, 1975-1984, par-

Figure G.—Total Controlled Foreign Corporations Compared to Controlled Foreign Corporations Incorporated After 1974, by Selected Industry<sup>1</sup>

(Money amounts are in millions of dollars)

Selected CFC industry	Total number of CFC's	Total CFC assets	CFC's incorporated after 1974			
			Number	Total assets	Percentage of	
					Total number	Total assets
(1)	(2)	(3)	(4)	(5)	(6)	
All industries <sup>2</sup>	27,008	\$595,406	9,849	\$166,410	36%	28%
Agriculture, forestry and fishing	161	979	50	190	31	19
Manufacturing	821	25,901	455	9,845	55	38
Metal mining	172	3,643	79	811	44	22
Oil and gas extraction	602	21,604	359	8,611	60	40
Construction	396	4,779	171	965	43	20
Manufacturing	7,259	219,484	2,153	31,842	30	15
Food and kindred products	650	16,138	380	2,276	58	14
Apparel and other textile products	126	1,408	41	287	33	20
Paper and allied products	167	5,107	36	347	22	7
Printing and publishing	242	1,815	64	389	26	21
Chemicals and allied products	1,638	39,610	380	4,766	23	12
Petroleum (including integrated) and coal products	125	31,596	27	3,936	22	12
Rubber and miscellaneous plastic products	213	4,108	61	310	29	6
Stone, clay and glass products	133	2,765	39	990	29	35
Primary metal industries	149	4,265	40	309	27	7
Fabricated metal products	581	6,179	183	1,334	31	22
Machinery, except electrical	782	29,499	242	2,802	31	9
Electrical and electronic equipment	934	24,229	379	6,078	41	25
Motor vehicles and equipment	249	29,757	82	2,127	33	7
Instruments and related products	342	6,668	132	1,589	39	24
Transportation and public utilities	626	16,223	258	4,315	41	27
Water transportation	261	6,950	101	1,115	39	16
Wholesale and retail trade	4,646	74,983	1,879	13,493	40	42
Finance, insurance and real estate	3,915	228,186	1,912	96,601	49	42
Banking	322	66,304	150	16,345	47	25
Credit agencies other than banks	710	50,365	370	31,005	52	24
Insurance	531	23,623	308	5,677	58	54
Real estate	385	3,237	128	1,703	33	53
Holding and other investment companies, except bank holding companies	1,291	61,088	632	32,155	49	53
Services	2,571	19,437	1,159	8,939	45	46

<sup>1</sup> Includes only those foreign corporations controlled by U.S. corporations with \$250 million or more in total assets.

<sup>2</sup> Includes CFC's the nature of whose business was not allocable by industry, and inactive CFC's which are not shown separately.

ticularly oil and gas extracting corporations of which 60 percent were incorporated since 1974. Almost one-half of finance, insurance and real estate CFC's were incorporated in the same period. These industries are in sharp contrast to manufacturing companies, of which only 30 percent were incorporated since 1974.

#### SUMMARY

U.S. multinational corporations continued to have a strong presence abroad, controlling over 27,000 foreign corporations in 1984. These CFC's held \$595 billion in assets and generated \$625 billion of receipts. Pre-tax earnings and profits of all CFC's for 1984 rose 32 percent from 1982 while assets rose only seven percent. More than one-half of all active CFC's were involved in manufacturing or trade industries. Due to the much larger rise in pre-tax earnings and profits than in assets, profitability levels rose 1.6 percent from 1982, a 24 percent change. Mining (because of oil and gas extraction) was the most profitable industrial division in 1984 and finance, insurance and real estate the least profitable.

CFC payments to their U.S. parent corporations and affiliated groups exceeded receipts from these companies by \$27.8 billion in 1984. In contrast, the U.S. current account deficit was \$106.5 billion. CFC purchases of stock in trade from U.S. parent corporations and their domestic affiliates amounted to almost one-third of the total \$218 billion of U.S. exports in 1984.

Almost 40 percent of all CFC's were incorporated in the 10-year period from 1975 through 1984. These CFC's were, however, smaller in asset size than the older CFC's. The number of new incorporations in 1984 rose slightly from 1983, possibly reversing the downward movement that took place after 1980.

#### DATA SOURCES AND LIMITATIONS

The statistics in this article were derived from all U.S. corporation income tax returns with total assets of \$250 million or more and with accounting periods ended July 1984 through June 1985, and from attached Form(s) 5471 (Information Return with Respect to a Foreign Corporation). This form replaced Form 2952, (Information Return with Respect to Controlled Foreign Corporations), in

1983. Only a handful of Forms 2952 were filed for Income Year 1984 and are included in the data.

Sampling variability was not originally a factor in this study, since returns were selected at a rate of 100 percent and thus equaled the complete population. However, certain taxpayers did not provide the necessary information or provided only partial information for some CFC's. These CFC's (approximately 1,500 corporations) are not included in the data presented here and no attempt was made to weight the sample to adjust for them. For purposes of this article, the sample was considered to be the population (see footnote 1.)

Not all of the information regarding CFC transactions (e.g., transactions with unrelated parties) is available from Statistics of Income data. However, total business receipts, earnings and profits, foreign taxes and transactions between CFC's and related parties (U.S. parent corporations and their domestic and foreign subsidiaries) are reported as part of the parent corporation's U.S. income tax return and included in this article.

U.S. parent corporations were classified by the principal business activity reported on the corporate income tax return. Many returns were filed by diversified corporations, and therefore included significant receipts, profits, and other items related to activities other than the principal business activity.

Controlled Foreign Corporations were also classified by their principal business activity as reported on Form 5471. As such, certain receipts, profits, and transaction items may have been related to secondary business activities. It is not possible to measure the extent of these secondary operations.

When U.S. corporations filed consolidated Forms 5471 with aggregated data for several foreign companies, follow-up requests were made in cases where large money amounts were reported in an attempt to obtain the CFC information on a disaggregated basis. More than 75 percent of these requests were successful. Where no information was received, the data were left consolidated under the industry in which it was originally reported. Less than one percent of the CFC's included in the file contain financial information for a consolidated group of CFC's.

In some cases, sufficient detail was not provided to indicate by whom the CFC was directly controlled (i.e., by a domestic or a foreign parent). Data for these CFC's were corrected by using the transactions they reported with related corporations to determine the recipient of any dividends. If this

information was not conclusive, a previous-year record of the CFC or other reference material was used to determine the ownership.

The 1984 data are based on returns filed by U.S. corporations with full-year accounting periods ending between July 1984 and June 1985. Generally, part-year returns were deleted from the sample to avoid double counting of financial data. According to IRS regulations, a U.S. corporation had to submit a Form 5471 for any Controlled Foreign Corporation with an accounting period ending with or within the U.S. parent's accounting period. Therefore, CFC accounting periods may have ended as early as August 1983 (and, thus, began in September 1982) or as late as June 1985. However, most CFC activity did occur in Calendar Year 1984.

#### EXPLANATION OF SELECTED TERMS

**Business Receipts of Controlled Foreign Corporations.**—Business receipts were, in general, gross receipts or gross sales less returns and allowances reported for CFC's on Forms 5471. In the finance, insurance, and real estate industries, business receipts were generally the total income or receipts of the CFC and may have included other types of income such as interest, rents, royalties and other investment income. This definition differs from that used for the business receipts statistics for domestic corporations which generally excludes investment income.

**Current Earnings and Profits of Controlled Foreign Corporations.**—This item represents the difference between the accumulated beginning and ending year balances of earnings and profits available for distribution to the stockholders. In this report, pre-tax current earnings and profits are shown. For Form 5471 purposes, the earnings and profits reported for a foreign corporation had to be calculated under U.S. accounting standards, as required by Internal Revenue regulations.

**Distributions of Controlled Foreign Corporations.**—The distributions of CFC's consisted mostly of dividends. Capital gain distributions, and distributions paid out of capital (including capital stock paid-in capital, and capital surplus) were generally not included. Liquidating dividends may have also been included.

**Foreign Income Taxes Paid by Controlled Foreign Corporations.**—These were foreign income, war profits, and excess profits taxes paid or accrued by CFC's to foreign countries or U.S. possessions (including Puerto Rico). Also included were taxes imposed by other countries (including the United

States) in cases in which the CFC had business operations in countries other than the one in which it was incorporated.

**Inactive Controlled Foreign Corporations.**—Inactive Controlled Foreign Corporations were those that reported no income, deductions, or foreign income taxes paid, but which may have reported dividends paid out of prior-year earnings and profits. These dividends, plus the total assets of these CFC's, are included in the statistics.

**Related Persons of Controlled Foreign Corporations.**—Five categories of related persons of CFC's were shown on Forms 5471 for the purpose of reporting transactions. They were the U.S. corporation filing the return, a domestic corporation controlled by the U.S. corporation filing the return, a foreign corporation controlled by the U.S. corporation filing the return, a 10-percent-or-more U.S. shareholder of the CFC (other than the controlling shareholder), and a 10-percent-or-more U.S. shareholder of the U.S. corporation filing the return.

**Sales (and Purchases) of Stock in Trade.**—These were sales (and purchases) of merchandise in the ordinary course of trade or business.

**Subpart F Income.**—Subpart F provisions of the Internal Revenue Service Code (section 952) allowed the United States to tax U.S. shareholders on certain types of CFC income that, although undistributed to them, were deemed to have been distributed and were thereby taxable currently, generally at the same rate(s) as dividends. Subpart F income included the following for 1984: income derived from the insurance of U.S. risks; international boycott participation income; illegal bribes, kickbacks, or other payments to a government official; and "foreign base company income" (i.e., income from a foreign personal holding company and certain types of sales, service, shipping and oil-related income from a foreign base company). Also includible as income from CFC's were amounts of previously excluded Subpart F income meeting certain criteria and increases in foreign corporations' earnings invested in U.S. property.

**Transactions of Controlled Foreign Corporations.**—Controlled Foreign Corporation transactions were reported on Forms 5471 for five categories of related persons (described previously under "Related Persons of Controlled Foreign Corporations") which dealt with the CFC's. The transactions shown include receipts and payments for such items as stock in trade, dividends, rents and royalties, commissions, services rendered, interest, insurance premiums, and property rights.

**U.S. Affiliated Groups.**—The U.S. parent corporation and all of its wholly-owned domestic subsidiaries included in the filing of a consolidated U.S. income tax return (Form 1120).

#### NOTES AND REFERENCES

- [1] Due to incomplete reporting of financial information on Forms 5471, approximately 1,500 Controlled Foreign Corporations (CFC's) are not included in the data. However, it is estimated that the 27,008 CFC's for which data are presented in this article represent 95 percent or more of all the financial data for the population and therefore, are comparable to 1982 data. Throughout the rest of this article, all references to the CFC population will include only the data for the 27,008 CFC's. (See also "Data Sources and Limitations" at the end of this article.)
- [2] For purposes of this article, data are included only for foreign corporations controlled by U.S. corporations with \$250 million or more in total assets. Subsequent use of the terms "large U.S. multinationals" or "U.S. giant corporations" refers to this group of corporations. Historically, more than two-thirds of all U.S.-controlled foreign corporations have been controlled by U.S. giant corporations. More significantly, both the assets and business receipts of CFC's controlled by these large U.S. corporations have accounted for more than 90 percent of the total assets and business receipts of all CFC's. See statistics on Controlled Foreign Corporations for 1980 in the *Statistics of Income Bulletin*, Summer 1984, Volume 3, Number 4.
- [3] Heller, Kenneth, *The Impact of U.S. Taxation on the Financing and Earnings Remittance Decisions of U.S.-based Multinational Firms with Controlled Foreign Corporations*, Arno Press, 1980, pp. 2-3.
- [4] Heller, *Op. cit.*, pp. 3-4.
- [5] Heller, *Op. cit.*, p. 87.
- [6] Passive types of income include such receipts as interest, dividends and certain types of rents and royalties.
- [7] Control by a U.S. corporation was extended to lower-tier foreign corporations through a chain of control. Thus, a U.S. corporation could own

more than 50 percent of a foreign corporation (first-tier) which, in turn, could own more than 50 percent of a second-tier foreign corporation, which, in turn, could own more than 50 percent of a third-tier foreign corporation, and so forth. A Form 5471 had to be filed for each of these foreign corporations.

[8] More recently, the Tax Reform Act of 1986 expanded further the definition of Subpart F income. Generally, these changes apply to taxable years of foreign corporations beginning after December 31, 1986.

[9] For purposes of this analysis, a CFC's return on assets is defined as the ratio of earnings and profits before taxes to total assets. Net income (before taxes), i.e., net income computed under provisions of the Internal Revenue Code, is used in place of earnings and profits for purposes of computing the U.S. parent corporations' return on assets because earnings and profits, as such, is not reported by the parent. To the extent that the concept of earnings and profits differs from that of net income, the comparison of a CFC's return on assets to the U.S. parent corporation's return on assets is limited.

[10] Willoughby, Jack, "Shipwreck," *Forbes*, July 29, 1985, p. 116.

[11] Simenauer, Ronald, "Controlled Foreign Corporations, 1982: An Industry Focus," *Statistics of Income Bulletin*, Summer 1986, Volume 6, Number 1.

[12] The balance of payments surplus may be somewhat misleading due to the inclusion of dividends paid and received. If dividends received and paid are excluded from the totals, the balance of payments surplus would fall from \$27.8 billion to \$16.4 billion.

[13] U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, June 1986. The current account is defined as the exports of goods and services (including receipt of income on U.S. assets abroad) minus both imports of goods and services (including payment of income on foreign assets in the U.S.) and net unrelated transfers (excluding military grants of goods and services).

[14] U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, June 1985.

[15] Amounts loaned to or borrowed from U.S. affiliated groups were subtracted from 1982 transaction amounts for comparability with 1984 data. These data were not tabulated for 1984 since they were no longer required to be reported as part of the foreign corporation transaction schedule for 1984.

[16] U.S. Department of Commerce, Bureau of the Census, *Highlights of U.S. Export and Import Trade*, FT 990, monthly. Data from this source are based on the 1984 calendar year, while CFC data are based on accounting periods of U.S. parent corporations ended July 1984 through June 1985 and accounting periods of CFCs ending with, or within, the U.S. parent corporation's accounting period.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry of U.S. Corporation and Size of Total Assets of Controlled Foreign Corporation

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing return and size of total assets of Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Controlled Foreign Corporations							
			Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All industries, total</b>	<b>1,103</b>	<b>27,006</b>	<b>595,406,489</b>	<b>624,529,988</b>	<b>48,591,785</b>	<b>57,469,806</b>	<b>19,869,594</b>	<b>19,869,431</b>	<b>17,429,494</b>	<b>4,420,024</b>
Assets zero or not reported	564	3,924	—	2,784,107	17,277	295,574	63,452	66,866	42,401	—
\$1 under \$1,000,000	871	9,028	2,236,541	4,091,467	157,472	587,854	80,796	98,987	128,832	27,277
\$1,000,000 under \$10,000,000	6	8,129	31,613,767	44,893,839	2,636,065	4,133,612	1,252,865	1,273,754	1,139,365	247,645
\$10,000,000 under \$100,000,000	723	4,834	151,354,099	169,785,907	12,278,867	15,129,589	4,520,848	4,506,718	4,624,444	1,386,889
\$100,000,000 or more	295	1,093	410,200,083	402,973,669	33,446,105	37,322,976	10,960,832	13,717,103	11,443,448	2,715,812
<b>Agriculture, forestry and fishing</b>	<b>4</b>	<b>116</b>	<b>936,515</b>	<b>1,102,708</b>	<b>39,232</b>	<b>59,882</b>	<b>20,042</b>	<b>21,768</b>	<b>17,851</b>	<b>1,173</b>
Assets zero or not reported	—	—	—	—	—	—	—	—	—	—
\$1 under \$1,000,000	4	36	9,432	20,689	-354	157	28	-55	32	—
\$1,000,000 under \$10,000,000	—	—	—	—	—	—	—	—	—	—
\$10,000,000 under \$100,000,000	4	24	591,670	536,075	23,591	35,093	12,284	14,079	17,403	—
\$100,000,000 or more	—	—	—	—	—	—	—	—	—	—
<b>Mining</b>	<b>46</b>	<b>602</b>	<b>9,885,843</b>	<b>5,830,863</b>	<b>1,494,624</b>	<b>1,697,599</b>	<b>958,810</b>	<b>953,998</b>	<b>630,151</b>	<b>135,543</b>
Assets zero or not reported	25	100	—	29,077	-13,918	5,285	1,319	1,374	277	2,305
\$1 under \$1,000,000	35	225	43,121	26,655	-11,098	10,380	988	1,017	1,527	602
\$1,000,000 under \$10,000,000	31	137	606,375	394,591	38,330	75,873	15,129	14,962	41,074	19,223
\$10,000,000 under \$100,000,000	29	120	3,807,044	2,607,012	267,012	397,301	122,382	119,253	156,242	47,974
\$100,000,000 or more	9	20	5,429,302	3,831,960	1,214,292	1,218,750	816,992	816,992	430,630	65,438
<b>Metal mining</b>	<b>6</b>	<b>54</b>	<b>1,100,981</b>	<b>121,500</b>	<b>39,570</b>	<b>43,168</b>	<b>19,542</b>	<b>18,245</b>	<b>20,325</b>	<b>1,078</b>
Assets zero or not reported	5	7	—	—	-1	—	—	—	—	—
\$1 under \$1,000,000	5	25	3,561	4,089	-45	95	1	1	32	16
\$1,000,000 under \$10,000,000	5	-11	50,457	6,018	3,202	3,672	923	923	965	1,062
\$10,000,000 or more	—	—	—	—	—	—	—	—	—	—
<b>Oil and gas extraction</b>	<b>33</b>	<b>512</b>	<b>8,517,348</b>	<b>5,686,323</b>	<b>1,423,295</b>	<b>1,619,070</b>	<b>935,442</b>	<b>933,527</b>	<b>809,711</b>	<b>130,750</b>
Assets zero or not reported	15	83	—	—	-18,323	2,779	277	532	277	2,305
\$1 under \$1,000,000	27	185	35,614	19,317	-12,558	6,418	987	1,016	1,527	602
\$1,000,000 under \$10,000,000	21	119	512,608	350,475	30,091	68,986	13,222	13,054	40,040	17,773
\$10,000,000 under \$100,000,000	22	107	3,311,377	1,478,340	205,436	322,738	103,763	101,932	136,914	44,709
\$100,000,000 or more	7	18	4,657,748	3,831,960	1,216,749	1,218,750	816,992	816,992	430,630	65,438
<b>Construction</b>	<b>19</b>	<b>384</b>	<b>3,826,697</b>	<b>2,917,905</b>	<b>416,794</b>	<b>461,479</b>	<b>122,388</b>	<b>121,468</b>	<b>194,572</b>	<b>44,664</b>
Assets zero or not reported	11	62	—	34	-50	—	—	—	—	—
\$1 under \$1,000,000	13	159	28,662	42,368	-3,544	8,203	536	555	1,586	47
\$1,000,000 under \$10,000,000	16	101	273,070	400,769	13,043	36,917	10,000	9,328	6,662	337
\$10,000,000 under \$100,000,000	14	54	1,760,669	1,432,796	196,449	205,403	62,551	62,303	115,156	20,876
\$100,000,000 or more	4	8	1,064,277	1,041,938	210,896	210,896	49,301	49,301	71,167	23,404
<b>Manufacturing</b>	<b>581</b>	<b>18,605</b>	<b>390,581,396</b>	<b>500,334,516</b>	<b>40,376,971</b>	<b>47,969,980</b>	<b>17,109,507</b>	<b>16,839,916</b>	<b>14,004,646</b>	<b>3,374,696</b>
Assets zero or not reported	331	2,821	—	2,306,151	2,609	21,111	49,252	52,612	77,314	4,880
\$1 under \$1,000,000	503	5,753	1,525,040	3,050,847	173,614	455,601	62,283	60,969	95,646	18,295
\$1,000,000 under \$10,000,000	497	6,100	23,984,990	37,527,926	2,065,487	3,265,639	1,033,660	1,051,195	921,673	183,235
\$10,000,000 under \$100,000,000	438	3,617	112,023,550	138,172,141	10,252,581	12,472,787	3,796,071	3,760,831	3,866,554	1,082,154
\$100,000,000 or more	175	714	253,047,816	319,277,438	27,842,100	31,561,842	12,168,739	11,914,364	9,943,360	2,086,141
<b>Food and kindred products</b>	<b>43</b>	<b>1,831</b>	<b>22,565,728</b>	<b>31,414,654</b>	<b>2,714,895</b>	<b>3,050,716</b>	<b>791,131</b>	<b>776,825</b>	<b>960,637</b>	<b>270,378</b>
Assets zero or not reported	26	285	—	113,891	14,409	16,308	1,111	1,160	7,604	4
\$1 under \$1,000,000	39	651	146,535	585,478	199,297	212,694	8,901	9,060	27,043	1,852
\$1,000,000 under \$10,000,000	34	502	1,974,696	3,148,578	210,353	302,510	71,148	70,992	96,839	26,842
\$10,000,000 under \$100,000,000	29	344	11,010,960	15,548,690	1,290,749	1,466,166	419,755	405,191	530,862	107,312
\$100,000,000 or more	20	49	9,433,536	12,018,016	1,000,896	1,053,038	290,216	290,532	299,290	134,368
<b>Chemicals and allied products</b>	<b>72</b>	<b>3,940</b>	<b>58,528,756</b>	<b>60,877,842</b>	<b>6,539,859</b>	<b>7,382,393</b>	<b>2,473,937</b>	<b>2,453,161</b>	<b>2,100,613</b>	<b>813,540</b>
Assets zero or not reported	55	617	—	216,943	13,861	23,885	4,503	5,295	12,608	1,732
\$1 under \$1,000,000	66	1,182	302,072	506,548	22,874	68,769	15,231	14,374	24,968	7,920
\$1,000,000 under \$10,000,000	69	1,300	5,117,531	7,705,200	484,711	740,675	237,275	243,582	258,236	45,531
\$10,000,000 under \$100,000,000	61	730	21,995,940	24,752,002	2,252,740	2,689,183	895,578	878,910	862,630	259,243
\$100,000,000 or more	36	111	31,113,113	27,695,150	3,765,674	3,859,880	1,321,350	1,310,999	942,264	499,015
<b>Petroleum (including integrated) and coal products</b>	<b>35</b>	<b>1,932</b>	<b>99,994,391</b>	<b>173,001,490</b>	<b>12,612,098</b>	<b>15,588,956</b>	<b>6,708,937</b>	<b>6,507,866</b>	<b>6,134,363</b>	<b>707,290</b>
Assets zero or not reported	27	299	—	365,140	-10,655	84,160	37,137	36,840	7,607	13
\$1 under \$1,000,000	33	454	129,726	340,701	-57,236	81,790	2,866	2,548	12,372	5,288
\$1,000,000 under \$10,000,000	26	472	1,907,878	4,631,555	150,542	362,922	153,595	157,601	88,949	4,580
\$10,000,000 under \$100,000,000	26	333	10,729,362	19,822,944	793,845	1,129,150	313,252	310,249	397,629	101,092
\$100,000,000 or more	20	174	87,227,428	147,841,049	11,735,602	13,990,935	6,202,086	6,000,627	5,627,906	596,318
<b>Primary metal industries</b>	<b>40</b>	<b>1,033</b>	<b>14,034,236</b>	<b>10,486,406</b>	<b>332,153</b>	<b>771,022</b>	<b>168,394</b>	<b>134,945</b>	<b>193,123</b>	<b>126,111</b>
Assets zero or not reported	20	152	—	1,553	706	1,373	10	10	—	100
\$1 under \$1,000,000	31	352	77,154	89,038	-3,605	10,428	2,812	2,420	2,313	133
\$1,000,000 under \$10,000,000	36	310	1,246,683	1,339,859	63,589	121,638	27,027	29,173	30,780	8,763
\$10,000,000 under \$100,000,000	27	186	5,974,371	5,763,013	145,597	360,611	74,983	69,248	120,423	81,374
\$100,000,000 or more	10	30	6,736,029	3,292,942	125,865	276,961	63,762	34,093	39,607	35,742
<b>Nonmetallic mineral products, except electrical products</b>	<b>88</b>	<b>1,950</b>	<b>51,882,026</b>	<b>50,103,336</b>	<b>7,430,539</b>	<b>7,889,513</b>	<b>3,045,754</b>	<b>3,020,864</b>	<b>1,883,219</b>	<b>481,285</b>
Assets zero or not reported	36	244	—	91,482	14,096	15,756	945	615	2,471	74
\$1 under \$1,000,000	82	497	152,225	227,601	-6,316	21,202	4,860	2,626	3,947	59
\$1,000,000 under \$10,000,000	62	633	2,556,437	3,030,453	194,827	314,724	96,140	97,333	57,392	21,708
\$10,000,000 under \$100,000,000	60	474	15,080,755	15,001,742	1,116,877	1,395,288	532,085	518,446	281,150	150,746
\$100,000,000 or more	22	102	34,092,609	31,752,058	6,111,056	6,242,543	2,411,724	2,401,642	1,540,710	308,295

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry of U.S. Corporation and Size of Total Assets of Controlled Foreign Corporation—Continued

Selected industry of U.S. corporation filing return and size of total assets of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficits) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Manufacturing—Continued</b>										
<b>Electrical and electronic equipment</b>	70	2,270	37,641,993	39,205,015	2,701,272	3,255,924	733,755	721,578	839,293	223,488
Assets zero or not reported	31	229	—	72,207	-17,411	2,496	211	3,391	9,937	194
\$1 under \$1,000,000	59	685	195,398	291,045	-11,872	26,985	3,327	9,237	26,985	153
\$1,000,000 under \$10,000,000	63	679	3,259,952	4,963,089	246,535	394,985	130,598	132,575	104,107	19,787
\$10,000,000 under \$100,000,000	52	474	14,709,565	18,211,915	1,359,948	1,635,950	347,413	352,285	539,167	94,061
\$100,000,000 or more	13	69	19,475,477	15,660,159	1,124,073	1,195,509	248,206	224,090	179,115	109,292
<b>Motor vehicles and equipment</b>	20	925	47,132,506	70,477,798	2,430,468	3,850,208	1,223,582	1,252,124	993,079	269,493
Assets zero or not reported	15	118	—	1,178,127	-30,452	1,476	1,970	1,970	19,356	—
\$1 under \$1,000,000	18	235	63,825	180,533	4,971	13,585	1,338	1,325	2,370	18
\$1,000,000 under \$10,000,000	18	359	1,227,809	2,626,281	70,662	98,238	29,010	29,862	23,401	3,299
\$10,000,000 under \$100,000,000	17	137	4,680,206	7,203,992	286,911	392,849	140,435	143,287	101,549	56,620
\$100,000,000 or more	10	76	41,130,866	59,288,865	2,148,376	3,031,886	1,051,305	1,076,579	846,404	210,127
<b>Transportation equipment, except motor vehicles</b>	20	840	5,907,362	6,673,398	578,972	698,550	231,942	233,006	216,134	53,226
Assets zero or not reported	10	61	—	13,289	26,507	2,507	145	145	1,250	4
\$1 under \$1,000,000	17	203	56,467	83,081	-441	10,325	1,733	1,724	513	572
\$1,000,000 under \$10,000,000	14	194	797,750	1,255,238	53,787	86,661	31,830	33,572	26,014	3,546
\$10,000,000 under \$100,000,000	13	115	3,630,012	4,168,019	319,811	391,881	132,742	132,073	118,008	24,332
\$100,000,000 or more	5	7	1,423,152	1,355,771	179,302	181,375	65,782	65,782	69,147	24,771
<b>Instruments and related products</b>	23	807	11,513,591	15,490,503	1,270,098	1,437,020	466,927	476,545	344,585	155,856
Assets zero or not reported	18	77	—	643	3,236	2,920	1	2,550	7,250	—
\$1 under \$1,000,000	22	232	89,383	160,138	-1,031	12,554	4,418	4,297	1,262	145
\$1,000,000 under \$10,000,000	22	311	1,227,569	1,998,735	143,588	192,640	53,233	53,660	49,500	6,711
\$10,000,000 under \$100,000,000	21	167	4,619,363	6,380,418	597,038	684,240	212,671	221,983	207,502	73,557
\$100,000,000 or more	5	20	5,586,276	6,950,569	527,583	544,350	195,608	196,006	84,061	75,443
<b>Transportation and public utilities</b>	106	1,568	25,021,612	14,153,603	1,299,288	1,572,265	369,756	297,736	334,528	33,543
Assets zero or not reported	47	218	—	45,887	-1,952	7,265	1,665	1,666	2,937	302
\$1 under \$1,000,000	69	577	131,211	184,577	-915	24,307	4,541	5,120	10,292	1,737
\$1,000,000 under \$10,000,000	56	423	1,845,036	1,625,251	121,640	180,892	39,425	41,115	54,804	16,309
\$10,000,000 under \$100,000,000	27	248	7,603,191	4,427,684	416,414	568,007	142,791	142,686	114,857	88,971
\$100,000,000 or more	27	248	15,642,174	7,870,194	712,111	791,794	169,190	170,158	114,836	227,209
<b>Water transportation</b>	10	142	760,470	112,346	18,811	39,466	1,290	3,534	19,405	6,368
Assets zero or not reported	7	24	—	8,901	-351	1	—	—	—	—
\$1 under \$1,000,000	6	63	12,385	10,069	-251	1,206	63	77	—	622
\$1,000,000 under \$10,000,000	9	34	168,985	41,923	1,398	9,952	966	1,694	—	1,430
\$10,000,000 under \$100,000,000	—	—	—	—	—	—	—	—	—	—
\$100,000,000 or more	—	—	—	—	—	—	—	—	—	—
<b>Wholesale and retail trade</b>	116	1,404	32,358,191	72,992,450	1,831,937	2,120,430	487,710	518,299	559,330	215,031
Assets zero or not reported	50	233	—	67,870	15,813	16,972	2,335	2,335	982	12,433
\$1 under \$1,000,000	61	526	112,341	244,828	-9,940	14,967	4,516	12,779	6,575	2,666
\$1,000,000 under \$10,000,000	83	266	1,370,838	2,232,029	106,374	178,162	47,219	45,748	33,369	13,957
\$10,000,000 under \$100,000,000	63	214	6,882,664	16,519,399	398,746	524,998	118,409	142,184	150,468	70,530
\$100,000,000 or more	15	61	23,992,348	53,928,333	1,320,844	1,385,431	315,232	315,253	367,935	115,444
<b>Wholesale trade</b>	63	821	18,094,843	56,901,635	1,016,206	1,217,718	255,192	287,324	345,663	72,583
Assets zero or not reported	23	92	—	33,114	802	1,932	957	957	982	2,144
\$1 under \$1,000,000	41	334	72,179	171,974	-14,382	7,703	2,483	10,643	5,394	8,200
\$1,000,000 under \$10,000,000	43	227	878,805	1,516,124	80,427	119,905	28,766	28,132	27,842	8,200
\$10,000,000 under \$100,000,000	38	136	4,212,707	14,400,686	235,048	324,780	84,504	109,089	58,511	28,989
\$100,000,000 or more	6	32	12,931,152	40,779,737	714,312	763,398	138,483	138,504	252,933	33,251
<b>Petroleum and petroleum products</b>	8	107	4,297,072	14,932,001	292,660	319,103	110,508	112,028	203,395	33,937
Assets zero or not reported	7	34	—	2,288	-1,279	876	7	8	100	1,752
\$1 under \$1,000,000	7	34	6,848	134,607	8,124	13,531	4,300	4,300	2,282	3,748
\$1,000,000 under \$10,000,000	—	—	—	—	—	—	—	—	—	—
\$10,000,000 under \$100,000,000	5	22	803,507	5,514,897	53,203	63,320	27,937	29,435	11,368	—
\$100,000,000 or more	—	—	—	—	—	—	—	—	—	—
<b>Retail trade</b>	53	583	14,263,348	16,090,815	815,731	902,712	232,518	230,875	213,657	143,448
Assets zero or not reported	27	141	—	34,755	15,011	15,039	1,378	1,378	1,181	5,157
\$1 under \$1,000,000	40	202	40,162	72,652	4,342	7,164	2,033	2,137	5,527	41,442
\$1,000,000 under \$10,000,000	33	133	492,033	715,898	25,947	58,257	18,452	17,615	91,958	82,193
\$10,000,000 under \$100,000,000	25	78	2,669,957	2,118,713	163,698	206,218	33,906	33,095	91,958	181,051
\$100,000,000 or more	9	29	11,061,197	13,148,596	606,532	622,034	178,749	176,749	115,031	242,087
<b>Finance, insurance and real estate</b>	169	2,934	126,591,844	234,001,761	2,730,451	3,030,724	675,064	682,550	660,896	242,087
Assets zero or not reported	68	422	—	245,703	14,571	26,477	6,577	6,582	1,549	2,304
\$1 under \$1,000,000	117	1,234	244,620	289,050	10,724	45,248	9,903	10,568	4,855	7,443
\$1,000,000 under \$10,000,000	93	615	2,223,239	1,386,476	174,789	242,050	69,964	63,501	41,538	43,145
\$10,000,000 under \$100,000,000	83	427	15,082,855	4,546,022	499,652	631,585	169,317	162,688	167,424	181,051
\$100,000,000 or more	59	236	109,031,129	16,531,501	2,020,674	2,085,363	429,303	438,951	445,520	181,051
<b>Banking</b>	59	1,066	66,236,101	10,870,837	1,510,715	1,605,013	395,072	396,038	335,258	122,483
Assets zero or not reported	24	133	—	51,628	6,401	10,832	1,114	1,120	1,071	986
\$1 under \$1,000,000	39	369	72,086	83,412	-200	15,741	9,954	4,110	1,071	986
\$1,000,000 under \$10,000,000	30	211	768,996	197,966	57,672	72,712	23,221	25,211	60,761	11,703
\$10,000,000 under \$100,000,000	34	198	7,470,368	1,224,873	251,180	275,052	69,201	68,658	60,761	102,691
\$100,000,000 or more	25	155	77,924,650	9,312,958	1,195,602	1,230,676	297,562	296,938	254,787	102,691

Footnote at end of table

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry of U.S. Corporation and Size of Total Assets of Controlled Foreign Corporation—Continued

Selected industry of U.S. corporation filing return and size of total assets of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficits) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Finance, insurance and real estate—Continued</b>										
<b>Insurance</b>	43	508	12,794,273	4,220,417	389,670	448,435	65,898	66,092	76,604	52,359
Assets zero or not reported	17	70	—	187,998	7,971	11,925	4,494	4,494	1,300	—
\$1 under \$1,000,000	30	110	46,275	54,792	2,881	6,795	1,743	1,771	1,827	—
\$1,000,000 under \$10,000,000	25	93	449,217	315,176	27,745	35,937	10,164	9,800	1,270	1,827
\$10,000,000 under \$100,000,000	25	93	2,983,523	1,201,339	79,152	118,063	27,362	27,362	50,821	7,523
\$100,000,000 or more	12	25	9,316,257	2,461,113	271,940	273,715	22,136	25,400	50,821	39,810
<b>Holding and other investment companies, except bank holding companies</b>	13	37	4,386,152	4,263,824	209,824	241,206	55,487	52,913	87,498	21,625
Assets zero or not reported	6	32	—	209,824	—	—	—	—	—	—
\$1 under \$1,000,000										

Table 2.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industries of U.S. Corporation and Controlled Foreign Corporation

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations									
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income	
						Current earnings and profits before taxes	Foreign income taxes (net)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<b>All Industries (U.S. parent)</b>	<b>1,102</b>	<b>27,008</b>	<b>595,406,489</b>	<b>824,529,988</b>	<b>48,591,785</b>	<b>57,469,606</b>	<b>19,888,594</b>	<b>19,853,431</b>	<b>17,429,494</b>	<b>4,420,024</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	46	161	978,638	1,006,480	38,633	88,809	31,682	33,787	19,072	—	
Mining	123	821	25,901,284	19,534,830	6,584,057	7,263,299	4,016,773	4,021,775	2,088,531	151,361	
Construction	51	396	4,778,866	5,840,113	431,745	561,290	164,504	165,775	171,003	14,198	
Manufacturing	571	7,259	219,484,327	341,427,774	23,123,025	27,510,932	9,923,041	9,686,985	7,396,511	845,682	
Transportation and public utilities	156	626	16,223,121	10,011,858	641,793	1,330,717	232,909	226,388	537,151	158,425	
Wholesale and retail trade	467	4,646	74,983,155	189,002,412	9,143,205	10,579,211	3,971,057	3,977,631	4,430,170	682,542	
Finance, insurance and real estate	671	3,915	228,186,477	34,113,467	6,917,561	8,143,221	1,116,328	1,100,551	2,379,836	2,391,607	
Services	399	2,571	19,436,781	12,937,029	1,658,657	1,900,428	414,495	432,473	395,550	176,611	
Nature of business not allocable	133	341	758,852	856,025	72,907	91,700	17,805	17,866	11,610	709	
Inactive	671	6,272	4,674,988	—	—	—	—	—	—	—	
<b>Mining (U.S. parent)</b>	<b>46</b>	<b>602</b>	<b>9,885,843</b>	<b>5,930,883</b>	<b>1,494,624</b>	<b>1,697,589</b>	<b>956,810</b>	<b>953,598</b>	<b>630,151</b>	<b>135,543</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	32	213	5,019,834	4,741,426	1,312,456	1,427,143	905,800	902,551	514,474	65,840	
Mining	3	41	726,467	142,477	43,704	40,326	30,369	31,563	7,584	14,198	
Construction	13	33	290,937	306,793	11,761	32,934	8,934	8,926	19,041	729	
Manufacturing	10	22	201,502	121,237	20,974	26,203	303	303	1,152	268	
Transportation and public utilities	6	16	141,179	210,327	8,969	7,654	1,106	1,106	11,456	267	
Wholesale and retail trade	25	58	2,152,116	204,659	73,416	78,552	5,421	5,561	76,456	43,946	
Finance, insurance and real estate	9	55	588,416	187,215	25,140	43,836	4,877	5,285	1,369	21,442	
Services	32	159	750,809	—	—	—	—	—	—	—	
Nature of business not allocable	32	159	750,809	—	—	—	—	—	—	—	
Inactive	32	159	750,809	—	—	—	—	—	—	—	
<b>Oil and gas extraction (U.S. parent)</b>	<b>33</b>	<b>512</b>	<b>8,517,248</b>	<b>5,686,333</b>	<b>1,423,295</b>	<b>1,619,670</b>	<b>935,442</b>	<b>933,527</b>	<b>609,711</b>	<b>130,750</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	24	190	4,654,419	4,613,684	1,279,699	1,391,379	886,873	883,424	496,804	65,668	
Mining	3	30	280,808	289,196	9,901	31,066	8,152	7,744	18,971	729	
Construction	10	30	111,935	46,988	—	1,847	303	303	1,152	268	
Manufacturing	5	15	133,964	217,668	6,290	6,981	1,106	1,106	11,456	267	
Transportation and public utilities	17	44	1,972,296	181,352	58,596	63,304	3,962	4,103	73,801	39,878	
Wholesale and retail trade	8	54	587,614	186,240	25,130	43,826	4,877	5,285	1,399	21,442	
Finance, insurance and real estate	12	110	36,915	—	—	—	—	—	—	—	
Services	21	126	35,361	—	—	—	—	—	—	—	
Nature of business not allocable	21	126	35,361	—	—	—	—	—	—	—	
Inactive	21	126	35,361	—	—	—	—	—	—	—	
<b>Construction (U.S. parent)</b>	<b>19</b>	<b>384</b>	<b>3,826,697</b>	<b>2,917,905</b>	<b>416,794</b>	<b>481,479</b>	<b>122,388</b>	<b>121,488</b>	<b>194,572</b>	<b>44,664</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	5	54	784,681	259,945	109,694	128,317	24,346	23,214	46,608	11,859	
Mining	14	95	919,228	1,311,029	113,364	128,958	25,073	25,104	49,439	770	
Construction	4	26	363,845	553,183	29,527	31,578	11,535	11,579	19,219	1,201	
Manufacturing	—	—	—	—	—	—	—	—	—	—	
Transportation and public utilities	—	—	—	—	—	—	—	—	—	—	
Wholesale and retail trade	8	27	958,824	115,307	37,750	44,036	5,320	5,387	20,350	21,970	
Finance, insurance and real estate	8	49	439,054	230,400	100,873	101,693	40,481	40,582	50,091	9,965	
Services	12	110	36,915	—	—	—	—	—	—	—	
Nature of business not allocable	12	110	36,915	—	—	—	—	—	—	—	
Inactive	12	110	36,915	—	—	—	—	—	—	—	
<b>Manufacturing (U.S. parent)</b>	<b>581</b>	<b>18,805</b>	<b>390,581,396</b>	<b>500,334,516</b>	<b>40,379,971</b>	<b>47,969,980</b>	<b>17,109,507</b>	<b>16,839,818</b>	<b>14,904,646</b>	<b>3,374,698</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	32	111	635,223	616,541	32,594	62,070	22,428	23,036	14,002	32,418	
Mining	64	448	17,279,446	12,222,001	4,937,904	5,456,110	3,027,421	3,034,513	1,478,575	13,388	
Construction	26	198	2,785,010	4,040,002	279,970	340,439	106,436	106,361	113,991	121,001	
Manufacturing	496	6,686	210,635,491	327,901,939	22,592,038	26,749,926	9,691,369	9,453,636	7,169,747	836,372	
Transportation and public utilities	72	260	9,347,807	4,962,562	164,113	179,909	80,707	72,545	465,642	612,042	
Wholesale and retail trade	344	3,767	56,265,475	129,396,250	7,694,709	8,931,367	3,604,990	3,593,148	3,932,747	1,694,213	
Finance, insurance and real estate	339	1,826	81,658,613	13,202,523	3,656,892	4,468,976	394,693	368,552	1,470,747	87,520	
Services	230	1,223	9,827,041	7,803,206	982,706	1,116,275	178,070	184,662	236,810	708	
Nature of business not allocable	91	255	408,844	189,493	49,044	64,906	3,300	3,363	—	—	
Inactive	388	4,031	1,728,447	—	—	—	—	—	—	—	

Footnotes at end of table

Table 2.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industries of U.S. Corporation and Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations									
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income	
						Current earnings and profits before taxes	Foreign income taxes (net)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<b>Manufacturing—Continued</b>											
Food and kindred products (U.S. parent)	43	1,831	22,565,728	31,414,654	2,714,895	3,050,716	791,131	776,935	960,637	270,378	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	8	54	298,194	289,924	-8,293	15,402	5,147	5,195	1,967	—	
Mining	—	—	—	—	—	—	—	—	—	—	
Construction	—	—	—	—	—	—	—	—	—	—	
Manufacturing	36	673	14,607,295	25,572,886	1,918,394	2,129,938	688,523	685,487	600,486	76,653	
Transportation and public utilities	10	23	171,440	165,689	15,490	17,743	1,995	1,960	7,532	3,781	
Wholesale and retail trade	28	268	4,248,725	188,932	366,276	426,341	70,252	68,212	47,049	29,206	
Finance, insurance and real estate	33	175	4,811,333	757,387	426,341	21,150	11,054	257,043	145,720	15,019	
Services	20	103	392,905	364,688	205,032	207,821	3,680	4,593	46,501	—	
Nature of business not allocable	31	465	340,738	—	—	—	—	—	—	—	
Inactive	31	465	340,738	—	—	—	—	—	—	—	
<b>Chemicals and allied products (U.S. parent)</b>	<b>72</b>	<b>3,940</b>	<b>58,528,756</b>	<b>60,877,842</b>	<b>6,539,859</b>	<b>7,392,393</b>	<b>2,473,937</b>	<b>2,453,161</b>	<b>2,100,613</b>	<b>813,540</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	6	27	100,488	76,367	15,949	18,477	9,209	9,752	4,014	—	
Mining	6	53	2,559,384	1,777,493	1,170,623	1,202,367	737,557	737,731	509,229	3,748	
Construction	—	—	—	—	—	—	—	—	—	—	
Manufacturing	68	1,632	37,611,807	45,133,605	4,211,951	4,733,368	1,449,549	1,442,198	1,254,218	278,979	
Transportation and public utilities	8	27	975,860	629,112	-99,953	9,358	-2,951	-	8,031	550	
Wholesale and retail trade	56	770	5,464,570	11,301,447	523,964	628,783	206,822	203,322	119,556	130,406	
Finance, insurance and real estate	53	353	10,815,699	1,496,504	678,039	734,691	60,777	191,633	394,348	—	
Services	36	161	584,210	153,519	30,429	44,633	10,598	9,712	13,928	7,510	
Nature of business not allocable	60	863	249,888	—	—	—	—	—	—	—	
Inactive	60	863	249,888	—	—	—	—	—	—	—	
<b>Petroleum (including integrated) and coal products (U.S. parent)</b>	<b>35</b>	<b>1,932</b>	<b>99,994,391</b>	<b>173,001,490</b>	<b>12,612,096</b>	<b>15,588,956</b>	<b>6,708,937</b>	<b>6,507,866</b>	<b>6,134,363</b>	<b>707,290</b>	
<b>Industry of Controlled Foreign Corporation</b>											
Agriculture, forestry and fishing	3	4	17,717	—	—	—	—	—	—	—	
Mining	22	271	12,578,869	9,697,332	3,784,806	4,201,311	2,272,745	2,276,963	856,948	25,851	
Construction	20	325	62,613,502	76,816,658	2,634,506	3,708,924	1,569,086	1,363,453	1,026		



Table 3.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income and Selected Transactions, by Selected Industry of Controlled Foreign Corporation

(Money amounts are in thousands of dollars)

Selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations							Selected receipts by foreign corporations from: All related persons
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Actual distributions in current year	Subpart F income	
All industries, total	1,103	27,008	595,406,489	624,529,988	48,591,785	19,893,431	17,429,494	4,420,024	83,528,176
Agriculture, forestry and fishing	46	161	978,638	1,006,480	38,633	33,787	19,072	—	67,844
Mining	123	821	25,901,284	19,534,830	8,564,057	4,021,778	2,088,531	151,381	2,407,893
Oil and gas extraction	90	602	21,603,663	17,782,883	6,438,111	3,828,638	1,902,075	150,824	2,210,309
Construction	81	396	4,778,886	5,840,113	431,745	185,775	171,063	14,108	499,876
Manufacturing	571	7,289	219,484,327	341,427,774	23,123,025	9,888,985	7,396,511	845,682	48,828,489
Food and kindred products	68	650	16,138,241	29,134,928	2,063,139	738,296	653,107	72,399	732,391
Chemicals and allied products	128	1,698	39,610,381	47,627,012	4,395,606	1,546,204	1,276,268	335,325	2,927,515
Petroleum (including integrated) and coal products	24	125	31,595,723	76,285,946	2,440,693	1,274,757	992,208	60,719	8,976,006
Fabricated metal products	122	581	6,178,961	9,092,133	625,777	270,682	338,710	25,534	308,883
Machinery, except electrical	131	782	29,499,003	32,196,493	5,546,221	2,575,740	1,504,647	106,379	4,368,548
Electrical and electronic equipment	127	934	24,238,530	34,057,306	2,291,562	686,518	555,832	69,518	6,518,443
Motor vehicles and equipment	39	249	29,758,828	61,429,201	1,737,388	1,059,071	878,329	20,489	16,954,001
Transportation and public utilities	156	626	16,223,121	10,011,858	641,795	226,388	537,161	158,425	1,880,031
Water transportation	75	261	6,959,562	3,021,868	—	65,842	17,905	147,860	1,493,333
Wholesale and retail trade	467	4,644	74,983,155	199,002,412	9,143,205	3,977,831	4,430,170	682,542	18,383,814
Wholesale trade	410	3,750	62,607,143	176,166,770	8,320,183	3,715,665	4,247,344	630,362	17,942,644
Finance, insurance and real estate	671	3,915	228,186,447	34,113,467	6,917,561	2,379,838	2,391,587	1,001,629	5,821,629
Banking	68	322	66,304,143	8,068,427	807,198	203,329	224,415	59,202	1,181,654
Credit agencies other than banks	185	710	59,364,705	6,907,948	1,720,824	380,358	371,598	600,046	2,874,787
Insurance	277	531	23,623,480	9,049,618	6,949,618	65,850	304,532	329,067	1,384,824
Holding and other investment companies, except bank holding companies	402	1,291	61,087,974	8,204,989	2,787,918	309,936	1,370,437	1,072,009	4,845,629
Services	399	2,571	19,436,781	12,937,029	1,858,867	432,473	395,550	175,811	2,389,132
Business services	270	1,374	6,944,018	5,196,663	743,787	204,742	161,286	61,584	1,488,787
Nature of business not allocable	133	341	758,852	856,025	72,907	17,868	11,610	709	79,628
Inactive	671	6,272	4,874,988	—	—	—	—	—	—

Controlled Foreign Corporations—Continued

Selected industry of Controlled Foreign Corporation	Selected receipts by foreign corporations from—Continued							Selected payments by foreign corporations to: All related persons	
	U.S. corporation filing return and its domestic subsidiaries				Any foreign corporation controlled by U.S. corporation filing return				
	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	Sales of stock in trade	Compensation received for certain services		Interest, rents, and royalties received
All industries, total	68,589,582	54,859,829	4,208,307	7,207,382	14,848,044	873,549	3,719,226	3,734,942	112,600,818
Agriculture, forestry and fishing	62,050	57,319	4,531	—	5,796	—	963	3,796	74,794
Mining	1,807,587	1,699,825	38,696	50,585	599,010	—	42,287	249,179	5,347,838
Oil and gas extraction	1,643,619	1,538,824	38,637	48,172	565,544	—	41,643	240,963	3,078,328
Construction	270,356	106,879	143,459	14,907	228,250	—	169,412	16,691	777,907
Manufacturing	41,792,135	38,408,884	2,312,009	593,054	5,018,859	591,252	1,641,738	1,070,006	66,189,029
Food and kindred products	502,265	447,446	14,830	8,226	230,126	21,479	27,637	83,217	1,742,708
Chemicals and allied products	1,955,638	1,569,953	113,574	202,580	967,478	281,503	225,337	218,868	7,427,658
Petroleum (including integrated) and coal products	7,605,285	7,459,569	77,339	66,381	1,347,249	6,741	187,818	233,747	14,016,638
Fabricated metal products	160,261	136,185	4,443	9,137	148,742	12,446	33,141	70,746	982,914
Machinery, except electrical	3,842,365	2,786,077	909,681	41,614	529,125	5,513	408,093	46,233	9,038,184
Electrical and electronic equipment	5,880,047	5,222,107	572,113	48,684	596,374	163,395	136,050	183,113	7,057,479
Motor vehicles and equipment	18,144,222	17,570,658	292,440	128,822	809,438	96,137	515,131	135,535	18,760,225
Transportation and public utilities	1,292,696	393,718	411,812	425,900	587,304	20,830	121,444	153,944	1,847,884
Water transportation	988,210	328,369	326,552	330,352	505,092	19,533	68,159	139,593	1,192,698
Wholesale and retail trade	14,580,981	13,034,289	334,975	140,832	3,865,781	252,074	960,403	514,970	29,844,132
Wholesale trade	14,400,876	13,708,695	324,649	134,317	3,826,722	251,979	948,493	425,269	28,424,067
Finance, insurance and real estate	7,256,595	53,256	153,119	5,756,321	3,625,626	9,392	234,002	1,535,029	8,379,917
Banking	847,444	11,603	23,527	754,081	327,193	100	8,515	264,369	1,639,887
Credit agencies other than banks	2,125,639	910	8,316	2,074,841	711,142	—	95,429	476,156	2,377,669
Insurance	686,977	118	5,528	10,318	473,821	—	19,416	63,111	586,445
Holding and other investment companies, except bank holding companies	2,977,006	35,501	43,053	2,641,751	1,769,166	9,292	54,583	615,153	3,003,000
Services	1,415,479	195,507	808,706	225,215	949,515	1	530,823	181,319	2,471,997
Business services	921,156	160,293	590,200	53,670	573,703	1	386,836	61,134	916,500
Nature of business not allocable	11,703	10,069	1,000	87,923	—	—	27,054	10,028	38,300
Inactive	—	—	—	—	—	—	—	—	—

Footnote at end of table.

Table 3.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income and Selected Transactions, by Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected industry of Controlled Foreign Corporation	Controlled Foreign Corporations—Continued									
	U.S. corporation filing return and its domestic subsidiaries					Any foreign corporation controlled by U.S. corporation filing return				
	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid: First 60 days of accounting period	Dividends paid: Remainder of accounting period	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid: First 60 days of accounting period	Dividends paid: Remainder of accounting period
All industries, total	96,424,708	71,095,809	4,137,396	1,512,881	10,270,943	14,966,599	757,373	4,013,396	275,884	4,927,884
Agriculture, forestry and fishing	61,388	41,493	1,148	659	8,854	13,376	—	556	185	6,947
Mining	2,041,988	568,837	150,880	59,498	1,005,869	1,320,354	—	58,407	1,130	885,459
Oil and gas extraction	1,809,758	514,292	145,350	50,040	860,349	1,262,552	—	55,941	1,130	974,271
Construction	520,703	312,704	82,013	8,752	87,308	190,885	—	98,409	6,912	60,396
Manufacturing	58,814,552	45,934,982	2,496,682	1,039,737	4,404,289	6,341,687	483,843	2,413,631	185,344	1,534,043
Food and kindred products	1,256,221	557,385	75,654	48,235	333,598	483,163	53,444	66,389	45,983	146,964
Chemicals and allied products	6,085,268	4,007,850	307,361	222,442	679,450	1,338,071	195,737	371,413	29,491	305,891
Petroleum (including integrated) and coal products	12,058,955	11,499,677	106,071	85,009	286,835	1,006,499	50,508	259,681	3,784	457,886
Fabricated metal products	839,809	444,928	30,671	127,676	147,306	123,429	8,248	11,617	11,794	48,186
Machinery, except electrical	8,179,417	4,662,781	380,950	294,372	985,577	847,472	4,821	501,040	7,777	208,235
Electrical and electronic equipment	6,834,434	5,217,806	576,122	37,617	377,161	420,238	17,079	146,869	35,562	97,669
Motor vehicles and equipment	17,427,385	15,426,983	775,876	43,506	756,066	1,512,841	131,956	926,825	1,874	69,281
Transportation and public utilities	929,211	68,465	377,074	6,420	363,166	845,297	7,313	123,831	286	109,148
Water transportation	765,875	1,015	339,988	5,396	326,361	417,393	—	58,626	133	2,674
Wholesale and retail trade	27,001,490	23,213,838	304,317	178,724	2,738,661	2,757,920	284,529	468,488	30,854	1,446,131
Wholesale trade	25,724,360	22,255,197	281,100	174,910	2,596,048	2,605,870	263,060	394,483	28,091	1,419,239
Finance, insurance and real estate	5,189,417	387,609	252,384	175,049	1,397,756	3,054,489	1,411	678,299	60,200	720,285
Banking	1,553,610	15,790	28,258	23,115	167,425	291,818	—	5,647	2,116	29,717
Credit agencies other than banks	1,025,149	667	168,969	18,656	96,220	1,332,511	—	470,059	24,105	54,754
Insurance	308,630	7,042	16,171	38,307	193,960	277,004	—	28,438	10,554	229,373
Holding and other investment companies, except bank holding companies	2,064,520	345,010	11,223	93,007	902,459	937,506	1,411	29,327	14,479	350,757
Services	1,843,926	553,273	481,437	42,017	284,341	2,525,397	677	333,427	10,854	62,492
Business services	606,552	369,489	67,768	13,080	96,838	308,959	(1)	207,347	10,326	38,836
Nature of business not allocable	—	—	—	—	—	—	—	—	—	—
Inactive	22,024	16,629	1,501	6	617	17,216	—	2,347	—	10,984

(1) Less than \$500

Note: Detail may not add to total because of rounding.

Table 4.—Foreign Corporations Controlled by U.S. Corporations with Total Assets of \$250 Million or More: Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry and Percentage of Direct or Indirect Ownership by U.S. Corporation

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and percent of Controlled Foreign Corporation owned directly or indirectly by U.S. corporation filing the return	Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes		Foreign corporations with current earnings and profits (less deficit) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
				Current earnings and profits before taxes	Foreign income taxes (net)	Foreign corporations with current earnings and profits (less deficit) before taxes				
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All industries, total</b>	<b>27,096</b>	<b>595,406,489</b>	<b>824,829,889</b>	<b>48,891,785</b>	<b>57,489,906</b>	<b>19,848,594</b>	<b>19,829,494</b>	<b>4,420,204</b>	<b>4,420,204</b>	
100 percent	21,371	466,103,734	481,906,031	38,357,917	45,867,016	15,770,155	15,621,911	13,701,455	4,236,906	
95 under 100 percent	1,121	31,750,910	31,200,564	2,007,159	2,370,801	971,545	952,203	465,259	99,759	
90 under 95 percent	394	11,617,903	10,565,615	773,077	846,106	224,042	206,600	236,651	2,120	
80 under 90 percent	742	15,370,338	24,146,271	2,284,739	2,469,773	687,167	686,612	1,184,472	14,214	
70 under 70 percent	607	25,007,013	24,770,627	2,355,429	2,355,429	934,255	936,085	927,318	8,021	
60 under 60 percent	478	13,240,526	11,824,861	655,137	834,654	224,318	200,884	240,886	2,480	
50 percent	412	9,148,135	4,857,401	575,949	640,293	258,024	238,935	79,865	5,576	
Less than 50 percent	176	1,707,153	1,587,202	100,000	16,200	16,010	16,010	5,836	126	
Percentage not determinable	413	5,771,041	6,811,699	31,699,738	33,404,316	31,404,316	31,404,316	275,229	4,774	
<b>Agriculture, forestry and fishing</b>	<b>116</b>	<b>938,518</b>	<b>1,102,708</b>	<b>39,232</b>	<b>59,882</b>	<b>20,642</b>	<b>21,788</b>	<b>17,851</b>	<b>1,173</b>	
100 percent	98	791,099	857,024	30,389	48,369	13,681	15,407	17,049	1,173	
95 under 95 percent	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
90 under 90 percent	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
80 under 80 percent	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
70 under 70 percent	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
60 under 60 percent	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
50 percent	4	17,030	2,745	-3,948	501	-	-	-	-	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Mining</b>	<b>602</b>	<b>9,885,843</b>	<b>5,830,863</b>	<b>1,484,624</b>	<b>1,697,589</b>	<b>856,810</b>	<b>953,898</b>	<b>630,151</b>	<b>135,343</b>	
100 percent	511	9,011,870	5,617,389	1,450,873	1,616,668	830,027	934,144	610,452	133,540	
95 under 100 percent	20	88,494	25,633	-2,302	4,032	1,207	1,207	1,207	126	
90 under 90 percent	11	54,469	3,179	1,001	1,728	-	-	-	1,477	
80 under 80 percent	4	26,932	284	-75	7	7	7	7	7	
70 under 70 percent	16	122,758	39,859	1,062	12,279	2,444	2,444	6,694	279	
60 under 60 percent	17	147,361	55,736	12,484	17,458	1,584	1,602	1,475	279	
50 percent	8	381,598	170,565	40,775	40,783	15,541	15,541	11,462	32	
Less than 50 percent	8	45,259	9,127	-1,937	1,023	-	-1,297	32	15	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Oil and gas extraction</b>	<b>512</b>	<b>6,517,348</b>	<b>5,899,333</b>	<b>1,423,295</b>	<b>1,619,970</b>	<b>833,442</b>	<b>933,577</b>	<b>609,711</b>	<b>130,750</b>	
100 percent	438	7,819,858	5,452,299	1,299,311	1,562,727	823,620	921,738	601,552	129,129	
95 under 95 percent	19	72,840	20,727	-6,967	268	-	-	35	1,342	
90 under 90 percent	6	32,051	3,179	1,153	1,517	7	7	7	7	
80 under 80 percent	4	26,932	284	-75	7	7	7	7	7	
70 under 70 percent	12	119,226	29,745	-652	10,588	2,444	2,444	6,849	279	
60 under 60 percent	17	147,361	55,736	12,484	17,458	1,584	1,602	1,475	279	
50 percent	8	381,598	170,565	40,775	40,783	15,541	15,541	11,462	32	
Less than 50 percent	4	10,514	2,029	-	991	-	-	-	-	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Construction</b>	<b>384</b>	<b>3,825,697</b>	<b>2,917,905</b>	<b>416,794</b>	<b>461,479</b>	<b>122,388</b>	<b>121,488</b>	<b>194,872</b>	<b>44,884</b>	
100 percent	307	2,737,410	1,414,316	279,241	317,033	88,195	88,195	133,692	42,250	
95 under 100 percent	18	85,313	42,029	5,800	6,466	-106	-135	74,621	9,046	
90 under 90 percent	4	280,739	158,596	71,012	75,337	10,826	9,854	29,635	6	
80 under 80 percent	11	83,565	201,763	2,170	3,015	1,112	956	5,031	6	
70 under 70 percent	15	62,163	1,221,107	61,446	8,759	1,951	1,992	3,097	363	
60 under 60 percent	14	333,448	552,928	33,530	33,846	15,892	15,896	8,977	363	
50 percent	7	58,343	78,899	2,344	2,344	297	297	297	297	
Less than 50 percent	4	35,536	80,359	4,651	4,651	-31	-31	-31	-31	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Manufacturing</b>	<b>18,805</b>	<b>390,581,396</b>	<b>500,334,616</b>	<b>40,378,871</b>	<b>47,689,960</b>	<b>17,109,507</b>	<b>18,839,816</b>	<b>14,904,646</b>	<b>3,374,894</b>	
100 percent	15,319	308,371,769	387,370,043	31,503,370	37,991,299	13,414,224	14,999,549	3,248,950	89,930	
95 under 100 percent	775	15,555,741	27,296,524	1,840,711	2,150,773	908,710	886,562	431,425	91	
90 under 90 percent	267	5,685,708	14,167,780	475,219	538,932	136,230	118,771	182,659	12,000	
80 under 80 percent	429	11,819,328	18,791,926	2,045,178	2,199,097	650,281	620,281	8,808	1,000	
70 under 70 percent	397	20,448,806	22,863,088	2,117,545	2,220,615	892,821	894,852	863,902	7,568	
60 under 60 percent	299	4,175,886	3,632,875	388,711	415,975	178,298	181,405	47,100	1,189	
50 percent	78	1,610,901	1,526,486	41,721	68,801	15,530	15,857	275,192	4,203	
Less than 50 percent	286	4,982,872	3,424,071	660,527	702,664	305,136	305,566	960,837	270,378	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Food and kindred products</b>	<b>1,441</b>	<b>22,565,728</b>	<b>31,414,684</b>	<b>2,714,895</b>	<b>3,050,716</b>	<b>791,131</b>	<b>776,935</b>	<b>960,837</b>	<b>270,378</b>	
100 percent	1,441	18,415,976	25,204,141	2,400,455	2,681,163	663,956	652,796	855,158	265,258	
95 under 100 percent	88	1,138,923	1,424,683	66,600	70,174	20,565	19,877	8,438	576	
90 under 90 percent	64	785,818	1,399,762	71,616	98,025	33,140	32,430	14,876	655	
80 under 80 percent	73	429,395	804,728	47,191	49,362	22,513	22,430	16,870	890	
70 under 70 percent	60	850,748	1,820,859	89,893	103,096	35,552	35,381	26,478	1,100	
60 under 60 percent	26	288,412	165,507	1,840	2,221	8,888	8,966	3,124	335	
50 percent	22	144,708	93,449	1,601	10,545	3,331	3,338	3,124	335	
Less than 50 percent	37	401,271	151,863	21,832	22,752	-785	140	24,455	73	
Percentage not determinable	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
<b>Chemicals and allied products</b>	<b>3,840</b>	<b>56,826,756</b>	<b>80,877,842</b>	<b>6,839,585</b>	<b>7,882,293</b>	<b>2,473,937</b>	<b>2,483,181</b>	<b>2,100,813</b>	<b>815,448</b>	
100 percent	3,330	49,559,598	53,668,686	5,052,296	5,860,626	2,206,954	2,198,993	1,878,237	7,481	
95 under 100 percent	85	1,052,296	1,112,413	119,778	146,144	65,226	64,957	48,533	1,068	
90 under 90 percent	29	382,836	491,528	59,631	84,102	20,448	21,304	10,068	60	
80 under 80 percent	47	1,809,782	2,501,113	22,207	41,007	3,322	3,380	9,317	60	
70 under 70 percent	71	1,698,186	1,919,987	39,870	83,931	40,660	29,186	22,380	3,160	
60 under 60 percent	207	2,033,298	1,126,220	110,369	172,867	17,842	16,401	56,186	70	
50 percent	47	1,823,942	960,108	105,216	116,244	58,878	58,884	6,438	745	
Less than 50 percent	7	16,192	19,845	6,383	6,387	2,373	2,384	2,384	245	
Percentage not determinable	37	103,701	89,005	-1,561	6,741	3,322	3,325	4,386	1,000	

Footnotes at end of table.

Table 4.—Foreign Corporations Controlled by U.S. Corporations with Total Assets of \$250 Million or More: Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry and Percentage of Direct or Indirect Ownership by U.S. Corporation—Continued

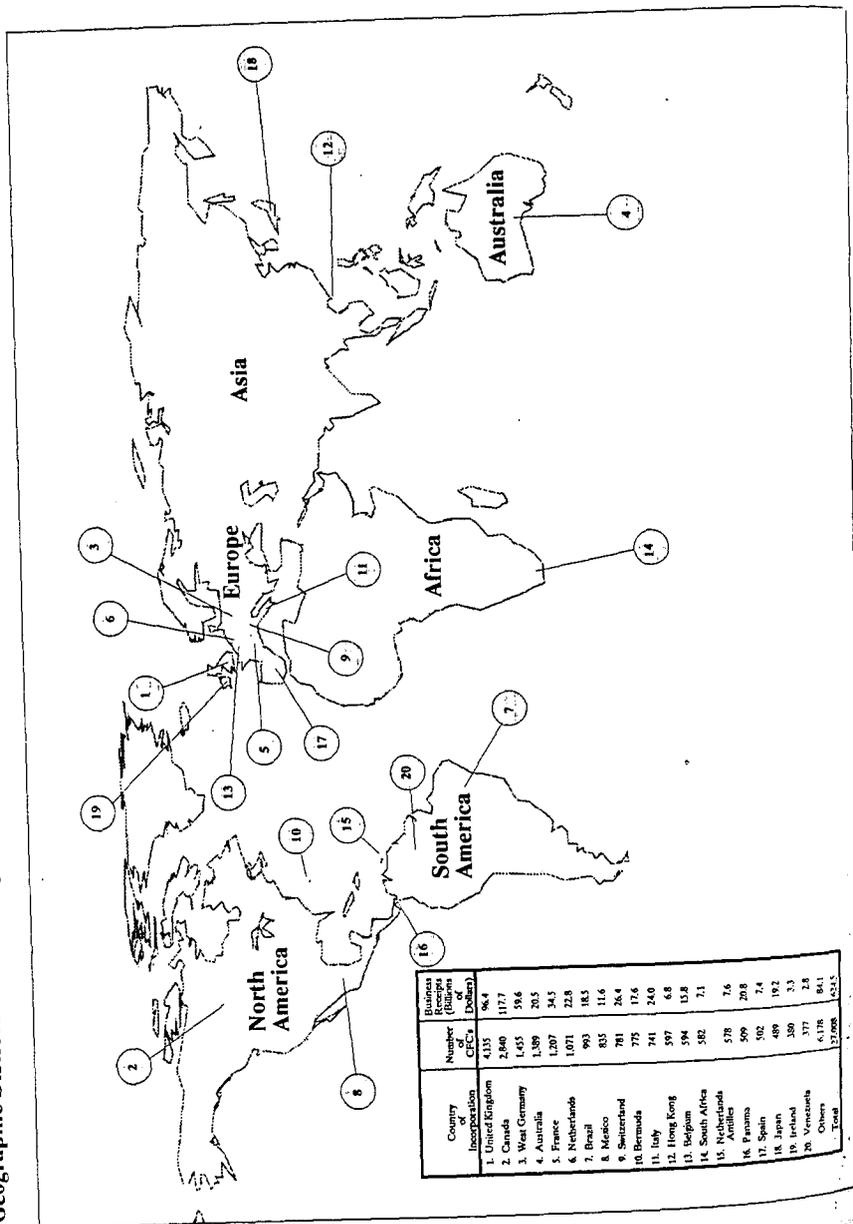
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and percent of Controlled Foreign Corporation owned directly or indirectly by U.S. corporation filing the return	Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes		Foreign corporations with current earnings and profits (less deficit) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
				Current earnings and profits before taxes	Foreign income taxes (net)	Foreign corporations with current earnings and profits (less deficit) before taxes				
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Petroleum (including integrated) and coal products</b>	<b>1,932</b>	<b>99,994,381</b>	<b>173,001,493</b>	<b>12,612,098</b>	<b>15,588,958</b>	<b>6,706,837</b>	<b>6,706,837</b>	<b>8,134,383</b>	<b>707,300</b>	
100 percent	1,497	71,141,888	121,156,048	8,400,725	11,170,670	4,960,771	4,960,771	4,723,223	4,271,200	
95 under 100 percent	126	4,024,951	10,000,224	244,807	259,263	274,500	274,500	27,068	63,483	
90 under 90 percent	19	479,393	1,000,000	100,000	100,000	100,000	100,000	100,000	100,000	
80 under 80 percent	31	6,683,003	12,094,467	1,841,918	1,655,281	489,033	489,033	407,138	4,509	
70 under 70 percent	32	1,525,841	2,461,103	207,289	207,289	100,000	100,000	100,000	100,000	
60 under 60 percent	92	10,569,631	17,764,658	1,754,825	1,754,825	738,485	738,485	738,485		

Table 4.—Foreign Corporations Controlled by U.S. Corporations with Total Assets of \$250 Million or More: Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income, by Selected Industry and Percentage of Direct or Indirect Ownership by U.S. Corporation—Continued

c.	Selected industry of U.S. corporation filing the return and percent of Controlled Foreign Corporation owned directly or indirectly by U.S. corporation filing the return	Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less effect of foreign taxes)	Foreign corporations with current earnings and profits (less effect of foreign taxes)		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	<b>Wholesale and retail trade</b>	<b>1,404</b>	<b>32,338,191</b>	<b>72,992,450</b>	<b>1,831,937</b>	<b>2,129,430</b>	<b>487,710</b>	<b>518,299</b>	<b>559,330</b>	<b>219,231</b>
	100 percent	1,024	22,899,502	52,823,400	1,408,162	1,620,685	421,837	449,403	427,811	207,079
	95 under 100 percent	59	373,044	630,667	18,293	1,907	1,907	1,907	435	7,003
	90 under 95 percent	38	1,142,204	3,931,167	170,884	178,741	11,154	11,154	26,154	—
	80 under 90 percent	19	371,699	1,511,464	30,265	30,265	10,129	10,129	8,366	—
	70 under 80 percent	12	4,790,292	12,272,803	152,963	174,753	27,571	27,571	42,121	5,322
	60 under 70 percent	37	2,122,577	998,872	56,261	69,260	10,377	10,377	28,624	—
	50 percent	34	174,700	322,708	-6,670	15,777	5,826	5,821	2,810	—
	More than 50 under 60 percent	21	333,118	430,835	-2,385	4,424	825	1,131	1,167	—
	Less than 50 percent	4	86,888	16,117	4,569	4,753	78	78	783	—
	Percentage not determinable	19	—	—	4,004	4,462	714	714	—	—
	<b>Wholesale trade</b>	<b>821</b>	<b>18,094,843</b>	<b>38,861,835</b>	<b>1,016,206</b>	<b>1,217,718</b>	<b>255,192</b>	<b>287,234</b>	<b>345,863</b>	<b>72,583</b>
	100 percent	15	15,464	39,094,731	699,933	845,209	219,349	240,763	257,820	66,629
	95 under 100 percent	37	102,028	152,227	3,164	6,732	1,532	1,532	332	632
	90 under 95 percent	34	1,110,095	2,222,271	170,241	177,901	11,047	11,047	36,154	—
	80 under 80 percent	13	164,632	533,512	9,661	13,709	957	957	1,743	—
	70 under 70 percent	118	3,967,670	12,099,446	11,456	13,246	11,866	11,866	35,633	5,302
	60 under 60 percent	46	169,070	345,224	9,781	16,759	5,514	5,514	8,401	—
	50 percent	18	155,980	263,569	9,741	12,692	4,182	4,187	2,647	—
	More than 50 under 60 percent	11	176,831	395,520	-2,248	2,061	436	427	1,197	—
	Less than 50 percent	13	84,658	16,117	4,566	4,750	78	78	763	—
	Percentage not determinable	15	847	7,173	109	568	232	232	—	—
	<b>Retail trade</b>	<b>583</b>	<b>14,283,348</b>	<b>16,090,815</b>	<b>615,731</b>	<b>804,712</b>	<b>232,518</b>	<b>230,878</b>	<b>215,867</b>	<b>142,448</b>
	100 percent	486	10,794,638	13,728,668	708,230	771,376	202,459	200,640	170,051	141,050
	95 under 100 percent	22	271,005	378,140	11,766	12,561	374	—	—	1,398
	90 under 95 percent	4	24,108	2,488	840	840	107	107	—	—
	80 under 80 percent	6	266,877	977,373	20,545	20,573	6,526	6,526	6,543	—
	70 under 70 percent	11	113,318	123,918	41,507	41,507	15,645	15,645	6,489	—
	60 under 60 percent	19	1,933,507	650,638	46,501	46,501	4,863	4,863	30,222	—
	50 percent	12	181,719	29,137	-16,417	3,085	1,844	1,844	392	—
	More than 50 under 60 percent	12	156,487	35,327	-1,137	2,372	350	364	—	—
	Less than 50 percent	—	—	—	—	—	—	—	—	—
	Percentage not determinable	—	—	—	—	—	—	—	—	—
	<b>Finance, insurance and real estate</b>	<b>2,934</b>	<b>129,991,644</b>	<b>23,091,791</b>	<b>2,730,451</b>	<b>3,030,734</b>	<b>478,064</b>	<b>822,830</b>	<b>680,936</b>	<b>242,087</b>
	100 percent	2,369	98,520,276	17,781,322	2,400,688	2,629,395	512,776	522,048	629,134	238,702
	95 under 100 percent	167	15,239,392	2,903,742	123,818	158,514	51,678	54,002	10,568	1,163
	90 under 95 percent	35	4,484,504	608,438	68,522	68,522	64,109	64,109	7,524	501
	80 under 80 percent	54	784,916	171,272	18,621	20,214	5,441	5,074	4,624	674
	70 under 70 percent	55	1,313,484	265,476	22,386	27,840	10,998	10,137	2,535	13
	60 under 60 percent	48	1,329,176	299,010	28,349	29,889	11,223	11,077	4,503	—
	50 percent	39	2,001,650	195,276	4,473	18,741	2,127	507	778	(1)
	More than 50 under 60 percent	73	1,513,134	296,444	25,783	28,763	10,503	9,424	1,105	—
	Less than 50 percent	10	19,983	39,209	2,135	2,314	608	608	115	—
	Percentage not determinable	84	835,870	152,261	9,805	19,603	5,552	5,991	—	250
	<b>Banking</b>	<b>1,066</b>	<b>66,236,101</b>	<b>10,870,837</b>	<b>1,510,715</b>	<b>1,605,013</b>	<b>399,072</b>	<b>396,038</b>	<b>335,258</b>	<b>122,481</b>
	100 percent	846	65,127,958	7,908,133	1,292,849	1,363,615	274,907	276,304	322,799	122,481
	95 under 100 percent	345	8,930,584	2,612,360	344,915	376,377	50,899	50,899	3,925	—
	90 under 95 percent	9	2,628,420	594,964	75,137	75,137	62,187	62,187	3,645	—
	80 under 80 percent	5	111,623	21,394	1,965	2,000	1,000	1,000	—	—
	70 under 70 percent	22	1,066,950	117,846	6,713	7,037	2,701	2,678	1,253	—
	60 under 60 percent	20	1,851,817	230,980	18,967	20,100	8,725	8,329	3,238	—
	50 percent	8	1,293,337	91,274	6,551	6,781	32	134	—	—
	More than 50 under 60 percent	41	1,414,329	223,172	14,017	16,375	6,866	6,659	380	—
	Less than 50 percent	—	—	—	—	—	—	—	—	—
	Percentage not determinable	—	—	—	—	—	—	—	—	—
	<b>Insurance</b>	<b>508</b>	<b>12,794,273</b>	<b>4,230,417</b>	<b>389,670</b>	<b>446,435</b>	<b>85,898</b>	<b>86,892</b>	<b>78,604</b>	<b>35,259</b>
	100 percent	345	8,930,584	2,612,360	344,915	376,377	50,899	50,899	3,925	—
	95 under 100 percent	44	2,044,588	886,030	16,558	32,829	6,258	6,190	5,607	1,163
	90 under 95 percent	12	1,492,773	431,489	15,801	16,191	847	843	3,875	136
	80 under 80 percent	17	395,087	68,169	2,969	3,090	319	319	—	—
	70 under 70 percent	13	122,140	70,928	6,924	6,951	1,538	1,538	749	13
	60 under 60 percent	10	52,908	54,400	6,120	6,314	2,136	2,136	1,265	—
	50 percent	6	68,301	44,300	-3,068	1,849	112	112	83	—
	More than 50 under 60 percent	18	56,914	39,072	2,049	2,303	985	985	156	—
	Less than 50 percent	4	1,029	1,528	86	95	22	22	23	—
	Percentage not determinable	34	21,042	13,144	-2,284	636	249	254	—	—
	<b>Holding and other investment companies, except bank holding companies</b>	<b>382</b>	<b>4,388,132</b>	<b>4,283,824</b>	<b>209,824</b>	<b>241,206</b>	<b>85,487</b>	<b>93,813</b>	<b>87,498</b>	<b>31,625</b>
	100 percent	348	3,912,980	4,073,632	199,759	226,950	50,899	47,229	60,799	20,532
	95 under 100 percent	9	138,220	10,813	3,383	3,543	793	793	14	416
	90 under 95 percent	15	194,495	50,797	7,811	8,543	3,791	3,681	3,667	674
	80 under 80 percent	—	—	—	—	—	—	—	—	—
	70 under 70 percent	—	—	—	—	—	—	—	—	—
	60 under 60 percent	—	—	—	—	—	—	—	—	—
	50 percent	—	—	—	—	—	—	—	—	—
	More than 50 under 60 percent	—	—	—	—	—	—	—	—	—
	Less than 50 percent	—	—	—	—	—	—	—	—	—
	Percentage not determinable	—	—	—	—	—	—	—	—	—
	<b>Services</b>	<b>1,255</b>	<b>8,204,282</b>	<b>4,096,183</b>	<b>399,478</b>	<b>557,259</b>	<b>159,480</b>	<b>185,056</b>	<b>184,313</b>	<b>72,302</b>
	100 percent	1,100	5,780,530	3,512,509	350,152	497,780	137,567	142,849	155,367	67,814
	95 under 100 percent	31	96,763	132,829	8,273	3,469	660	660	1,848	—
	90 under 95 percent	9	17,181	17,858	3,789	4,252	2,194	2,194	621	—
	80 under 80 percent	16	54,708	19,273	3,695	4,292	2,967	2,962	4,300	—
	70 under 70 percent	21	59,292	28,127	8,461	8,747	3,860	3,852	1,196	—
	60 under 60 percent	27	81,201	197,995	7,811	8,640	2,967	2,963	764	169
	50 percent	19	89,320	119,795	8,610	8,778	6,348	6,340	1,196	—
	More than 50 under 60 percent	17	6,557	24,081	13,575	13,705	2,078	2,078	(7)	3,683
	Less than 50 percent	4	728	1,275	131	145	1	—	38	—
	Percentage not determinable	11	16,111	55,530	-1,900	2,427	6	6	37	—
	<b>Business services</b>	<b>625</b>	<b>1,862,988</b>	<b>1,431,781</b>	<b>152,252</b>	<b>173,463</b>	<b>84,848</b>	<b>63,007</b>	<b>33,853</b>	<b>16,307</b>
	100 percent	524	1,806,131	1,323,884	122,514	143,025	61,778	49,995	27,458	—
	95 under 100 percent	7	33,864	15,900	2,602	2,643	1,229	1,225	51	—
	90 under 95 percent	6	12,143	12,897	3,277	3,277	329	329	—	—
	80 under 80 percent	13	45,085	17,878	2,801	3,448	2,184	2,184	621	—
	70 under 70 percent	16	43,185	15,982	7,325	7,612	3,658	3,681	4,200	—
	60 under 60 percent	26	77,779	185,835	8,304	8,640	2,967	2,963	764	—
	50 percent	17	4,125	43,392	12,621	12,621	4,299	4,299	330	—
	More than 50 under 60 percent	5	4,690	5,192	73	205	105	1		

Figure A  
Geographic Distribution of Foreign Corporations Controlled by Large U.S. Multinational Corporations\*, 1984



tions. A U.S. corporation could establish a presence in a foreign country either by using a foreign branch operation or by forming or purchasing a separate subsidiary company incorporated under the laws of that nation (i.e., a Controlled Foreign Corporation). However, in certain countries, local law required U.S. companies to use a locally-incorporated entity (CFC) in lieu of a branch operation. The reason for this was that a portion of the stock of the foreign corporation could be held by residents of the host country while the U.S. corporation held the majority of the CFC stock.

A foreign branch operation is treated as part of the U.S. corporation for U.S. tax purposes. Therefore, branch income is taxable to the U.S. corporation and is not deferrable (see below). Similarly, foreign branch losses can reduce U.S. taxes because they are deductible from domestic earnings. For this reason, U.S. corporations often utilize branch operations in industries where high "start-up" costs are expected. There are other advantages to operating through a branch rather than incorporating in a foreign nation. For example, dividend payments from CFC's to their U.S. shareholders may be subject to a withholding tax while the repatriation of branch earnings may not be subject to this tax.

Operating through a CFC has several advantages as well. First, there is the potential ability to defer U.S. taxation on CFC earnings. Except for some notable types of income, such as Subpart F (see the "Explanation of Selected Terms" section of this article for a definition of Subpart F), CFC earnings are not taxable to the parent until repatriated. Therefore, U.S. taxation may be deferred until earnings are actually paid to the shareholders. To the extent that foreign taxes are lower than U.S. taxes, this is an important reason for U.S. companies to form overseas subsidiaries. Tax strategies may be developed to take advantage of loss or low income years, excess foreign tax credits [7], or changes in U.S. tax policies. CFC's also have certain advantages because, unlike branches, they legally reside in the foreign country. This status could entitle a CFC to benefits under tax treaties into which the foreign nation has entered. In addition, the U.S. parent can be insulated from various types of liability in a foreign country through organization by CFC.

The CFC continued to be the more prevalent form of overseas operations during 1984. There were

over 1,100 U.S. giant corporations that controlled more than 27,000 CFC's and there were 307 U.S. corporations which operated roughly 2,600 foreign branches. Taxable income of foreign branches was \$14.4 billion compared to \$48.6 billion in pre-tax earnings and profits for the CFC's [8]. This comparison is limited by the extent to which taxable income differs from pre-tax earnings and profits.

Before 1960, U.S. corporations were not required to file information on foreign subsidiaries. Public Law 86-780 was passed in 1960 requiring U.S. persons to furnish, as a part of their tax return, information on any directly-controlled foreign corporation ("tier-one" subsidiary) or on a foreign corporation controlled by a directly-controlled foreign corporation ("tier-two" subsidiary). Control was defined as direct or indirect ownership of more than 50 percent of all classes of stock or more than 50 percent of the total value of all shares of stock.

Under the Revenue Act of 1962, certain types of income which were previously eligible for tax deferral were restricted. These were referred to as Subpart F income and were taxable to the U.S. shareholders of CFC's even though they may have remained undistributed. Over the years, the definition of Subpart F income has changed due to amendments to the Internal Revenue Code. These actions have reduced the tax deferral benefits of CFC's [9]. The 1962 Act also redefined the term Controlled Foreign Corporation. In general, a foreign corporation was considered controlled if more than 50 percent of the voting stock of the corporation was owned by U.S. shareholders for 30 days or more in the foreign corporation's taxable year, but only if they had at least 10 percent interest. In addition, the 1962 legislation restricted the conversion of tax-deferred accumulated earnings and profits into capital gains, thus preventing regular income from being taxed at the lower capital gains rate.

In recent years, control by a U.S. corporation was extended to lower-tier foreign corporations through a chain of control. Thus, a U.S. corporation could own more than 50 percent of a foreign corporation (first-tier) which, in turn, could own more than 50 percent of a second-tier foreign corporation, which, in turn, could own more than 50 percent of a third-tier foreign corporation, and so forth. A Form 5471 had to be filed for each of these foreign corporations.

## CFC ACTIVITY BY COUNTRY OF INCORPORATION

In 1984, of the 27,000 CFC's controlled by U.S. corporations with assets of \$250 million or more, there were 20,736 that had active business operations. Of these, 13,875 companies (67 percent) reported positive earnings and profits before taxes. Total pre-tax earnings for these corporations equaled \$57.5 billion. These corporations also paid \$19.9 billion in foreign income taxes.

The effective foreign tax rate was 35 percent. This rate was calculated as the percentage of foreign taxes paid by profitable CFC's compared to their current pre-tax earnings and profits. This rate may vary from the statutory tax rate of a given country because: (1) certain earnings and profits, and the associated foreign taxes paid, were applicable to operations in countries other than the country in which the CFC was incorporated; (2) earnings and profits were computed according to U.S. tax law and do not necessarily equal the tax base upon which the foreign tax was imposed; (3) many countries taxed various types of income at different rates; and (4) many countries had progressive tax rates.

During 1984, the most predominant industrial activity of active CFC's was manufacturing, comprising 35 percent of the total. CFC's located in Europe and Latin America were the most likely to be engaged in manufacturing. For example, in several nations, more than 40 percent of active CFC's were predominantly in manufacturing industries. These included Mexico (64 percent), Spain (50 percent), Italy (48 percent), France (42 percent) and Japan (40 percent). Among Other Western Hemisphere nations (primarily Bermuda, Bahamas, and the Netherlands Antilles), the most common industrial activity was in the finance, insurance, or real estate category [10]. Specifically, these CFC's comprised 84 percent of the total number of active CFC's in the Netherlands Antilles, 68 percent in Bermuda, and 34 percent in the Bahamas [11].

Generally, the effective tax rate of a foreign country which had a finance-related majority of CFC's was low when compared to the rates of those in which manufacturing was the most common. This has evolved because certain countries are not particularly attractive as manufacturing sites for economic and other reasons. In order to encourage U.S. investment in other business activities (such as finance), these nations have provided tax incentives and other

enticements to enhance their desirability. For example, Bermuda imposed no corporate income tax and, in the Netherlands Antilles, income was generally subject only to local taxation, which was generally at a lower rate than that of most countries. Also, certain countries have entered into tax treaties with the U.S. which reduce U.S. withholding taxes on payments to CFC's located in that country. Effective tax rates remained the highest in certain developing nations, such as Bolivia (108 percent), Nigeria (76 percent), and Uganda (57 percent). In contrast, Bermuda had an effective tax rate of 6 percent and the Netherlands Antilles had a rate of 9 percent.

Overall, a total of \$17.4 billion was paid out in dividend distributions from CFC's. United Kingdom CFC's paid the highest amount, \$4.8 billion. They were followed by CFC's located in Canada (\$3.5 billion), West Germany (\$1.1 billion), and Panama (\$.6 billion).

## CFC's AND THE ECONOMIC RECOVERY

By 1984, the U.S. economy had begun its rebound from the worldwide recession of the early 1980's. One indication of this recovery was the net income of U.S. giant corporations that owned CFC's, which rose from \$85.7 billion for 1982 to \$118.2 billion for 1984. This represents an increase of 37.8 percent. The recovery in other parts of the world, however, lagged behind that of the United States as indicated by the change in per capita GNP. By 1984, many of the industrialized nations had begun experiencing higher rates of growth, but most less-developed nations had not yet responded.

Overall CFC profitability (as determined by the ratio of earnings and profits, less deficits, before taxes to total assets) rose 1.6 percent from 1982 to 1984. Total CFC earnings rose from \$36.7 billion to \$48.6 billion, a 32.4 percent increase. On average, a CFC earned an 8.2 percent return on assets compared to 2.3 percent for U.S. parent corporations. Figure B compares the rates of return for CFC's from different countries as well as U.S. parent companies. These rates were determined by dividing net income of parent corporations and pre-tax earnings and profits of CFC's by their respective total assets [12]. This supports the general trend of CFC's being more profitable (as measured by rate of return on assets) than their U.S. parents [13]. Despite the overall higher rates of profitability for 1984, the percentage of CFC's reporting deficits remained stable at approximately one-third of all active CFC's.

Figure B.—Earnings Before Taxes, Total Assets and Rate of Return on Assets of U.S. Corporations and CFC's, 1982 and 1984

[Money amounts are in millions of dollars]

Selected country of incorporation	1982			1984		
	Income before taxes <sup>1</sup>	Total assets	Rate of return <sup>2</sup>	Income before taxes	Total assets	Rate of return <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)
<b>U.S. corporations</b> .....	\$85,746	\$4,198,723	2.0%	\$118,654	\$5,062,765	2.3%
<b>All CFC's</b> .....	<b>36,696</b>	<b>557,209</b>	<b>6.6</b>	<b>48,592</b>	<b>593,406</b>	<b>8.2</b>
Canada.....	5,346	91,100	5.9	10,888	99,796	10.9
Latin America.....	5,326	66,798	8.0	5,164	66,544	7.8
Brazil.....	1,681	20,132	9.3	1,776	17,776	10.4
Mexico.....	-293	7,504	-3.9	824	19,422	8.7
Panama.....	1,730	18,561	9.3	1,295	18,890	6.9
Other Western Hemisphere.....	3,460	70,992	4.9	3,270	90,638	3.6
Bahamas.....	466	6,702	7.0	-112	7,950	-1.4
Bermuda.....	1,609	22,045	7.3	1,131	22,346	5.1
Netherlands Antilles.....	1,402	41,956	3.3	2,269	60,110	3.8
Europe.....	17,212	248,156	7.0	22,937	252,554	9.1
France.....	1,010	23,336	4.3	1,353	19,700	7.9
Netherlands.....	967	18,394	5.3	1,348	25,551	5.3
United Kingdom.....	7,752	83,330	9.3	11,508	83,826	13.7
West Germany.....	3,020	45,366	6.6	2,762	43,968	6.3
Africa.....	1,216	18,494	6.6	1,049	15,151	6.9
South Africa.....	515	5,212	9.9	320	4,167	7.7
Asia.....	3,261	35,565	9.2	3,718	39,490	9.4
Hong Kong.....	691	10,933	6.3	704	12,232	5.8
Japan.....	978	10,378	9.4	1,507	12,466	12.1
Singapore.....	502	4,212	11.9	356	4,422	8.0
Oceania.....	847	23,657	3.6	1,389	24,794	5.6
Australia.....	739	22,319	3.3	1,257	23,327	5.4

<sup>1</sup> For returns of U.S. corporations, this is "net income (less deficit)." For CFC's, it is "current earnings and profits (less deficit) before taxes."

<sup>2</sup> Derived by dividing income before taxes (columns 1 and 4) by total assets (columns 2 and 5), respectively.

<sup>3</sup> Corporations included in this category are only those with assets of \$250 million or more and that owned CFC's.

Note: CFC data shown include only those foreign corporations controlled by U.S. corporations with \$250 million or more in total assets.

CFC's from certain nations showed extreme fluctuations in rates of return on assets from 1982 to 1984. Included among these were CFC's from Mexico, whose rate of return moved from -3.9 percent to 8.7 percent, and the Bahamas, decreasing from 7.0 percent to -1.4 percent. Among the nations showing strong recoveries from 1982 were many with which the United States is heavily engaged in trade. In Canada, the largest U.S. trading partner, pre-tax earnings and profits of CFC's increased 103.6 percent from 1982 to 1984. Large increases in CFC earnings between these two years were also achieved in Common Market nations such as France (53.7 percent) and the United Kingdom (48.2 percent). Profitability of CFC's increased at a higher rate in regions such as Europe and Oceania than in Latin America, Africa, Asia, and Other Western Hemisphere, where there is a higher proportion of less-developed nations. CFC's located in the developing countries of the Pacific Rim, such as Hong Kong and Singapore, showed a decline in rate of return on assets of CFC's from 1982 to 1984. CFC's from African nations such as Nigeria and South Africa showed similar declines in profitability. Generally, nations with a greater degree of in-

dustrialization show higher rates of growth than other nations. One major exception to this should be noted for West Germany, where CFC's experienced a decrease in the rate of return on assets from 6.6 percent for 1982 to 6.3 percent for 1984.

## CFC's AND THE MERCHANDISE TRADE BALANCE

Figure C shows a comparison of transactions between large U.S. multinational corporations and their CFC's and the U.S. merchandise trade balance for 1984. CFC purchases of stock in trade (i.e., purchases of merchandise in the ordinary course of business) from their U.S. parent groups totaled \$71.1 billion, representing 32.6 percent of all U.S. exports. Sales of stock in trade from CFC's to U.S. parent groups equaled \$54.9 billion, or 16.8 percent of all U.S. imports. As in past years, CFC merchandise transactions with their U.S. parent groups did not contribute to the U.S. merchandise trade deficit for 1984. Rather, the U.S. parent groups showed a net surplus of \$16.2 billion in trade with their foreign subsidiaries, which served to limit the overall merchandise trade deficit to \$107.8 billion [14].

Figure G.—Purchases and Sales of Stock in Trade Between CFC's and Their U.S. Parent Groups and the U.S. Merchandise Trade Balance, by Selected Area and Country of Incorporation, 1984

(Money amounts are in millions of dollars)

Selected area and country of incorporation	U.S. parent group merchandise trade balance			U.S. merchandise trade balance <sup>1</sup>		
	CFC purchases from U.S. parent group (exports)	CFC sales to U.S. parent group (imports)	Surplus or deficit	Exports	Imports	Surplus or deficit
	(1)	(2)	(3)	(4)	(5)	(6)
<b>All geographic areas</b> .....	<b>\$71,096</b>	<b>\$54,860</b>	<b>\$16,236</b>	<b>\$217,888</b>	<b>\$325,726</b>	<b>-\$107,838</b>
Canada.....	20,368	22,005	-1,637	46,524	65,478	-19,954
Latin America.....	5,532	3,648	1,884	26,302	42,341	-16,039
Brazil.....	501	444	57	2,640	7,621	-4,981
Mexico.....	1,190	1,165	14	11,992	18,020	-6,028
Panama.....	2,824	1,186	1,638	757	328	429
Other Western Hemisphere.....	2,592	7,956	-5,364	3,383	5,554	-2,171
Bahamas.....	1,244	3,586	-2,342	555	1,173	-618
Bermuda.....	1,037	3,923	-2,886	225	6	217
Europe.....	30,668	11,405	19,263	62,207	73,207	-11,000
France.....	2,849	739	2,109	6,037	8,113	-2,076
Netherlands.....	2,256	652	1,604	7,554	4,069	3,485
Switzerland.....	2,512	1,541	971	2,563	3,117	-554
United Kingdom.....	5,883	5,781	102	12,210	14,492	-5,528
West Germany.....	9,826	1,264	8,564	9,064	16,996	-7,912
Africa.....	573	651	-78	8,827	14,355	-5,528
Liberia.....	( <sup>2</sup> )	212	-212	97	98	-1
South Africa.....	343	82	261	2,265	2,488	-223
Asia.....	7,772	5,689	2,103	64,533	120,132	-55,599
Hong Kong.....	983	592	391	3,062	8,266	-5,204
Japan.....	1,982	753	1,229	23,575	57,135	-33,560
Oceania.....	2,381	262	2,119	5,745	3,556	2,187
Australia.....	2,094	227	1,867	4,793	2,675	2,118

<sup>1</sup> U.S. Department of Commerce, Bureau of the Census, *Highlights of U.S. Export and Import Trade*, FT 990, monthly.

<sup>2</sup> Less than \$500,000.

Note: CFC data shown include only those foreign corporations controlled by U.S. corporations with \$250 million or more in total assets.

The U.S. merchandise trade account showed increasingly negative figures in the years preceding 1984. For each year since 1976 there was a trade deficit, although in the years from 1982 to 1984, there was a sharp rise in the deficit levels. For 1982, the merchandise trade deficit was \$31.7 billion and by 1984, it had grown to \$107.8 billion. A geographic distribution of the trade numbers for 1984 is shown in Figure C. As in the past, Canada remained the largest trading partner of both U.S. parent groups and the United States as a whole. U.S. parent groups recorded a \$1.6 billion deficit with their Canadian CFC's, and the overall trade balance showed a \$20 billion deficit with Canada. The largest U.S. merchandise trade deficit for 1984 was with Japan, totaling \$33.6 billion. U.S. parent groups, however, reported a \$1.2 billion surplus in trade with their Japanese CFC's. Another region where parent group deficits were common was in the Other Western Hemisphere nations. Trade with CFC's in this area as a whole resulted in a \$5.4 billion U.S. parent group deficit. By comparison, the U.S. merchandise trade deficit with this region was \$2.2 billion in 1984. The parent group deficits are at least partly attributable to transactions with finance-related CFC's based in so called "tax-haven" countries.

These nations are attractive conduits for the flow of capital from a third country into the United States because of low tax withholding rates on payments to foreign persons and low effective income tax rates on foreign persons operating within the countries.

Differences in the preparation of the statistics in Figure C should be recognized. The U.S. Bureau of the Census data credit U.S. imports to the country of origin while CFC sales are based on the CFC's country of incorporation. This could explain why Panamanian CFC's, for example, reported \$1.2 billion in sales to U.S. parent groups and only \$328 million is reflected in Census data for imports from Panama. In this instance, perhaps a shipping company incorporated in Panama carried cargo from a third country into the United States. CFC data would credit the sales to Panama while the Census data would report them under the country of origin. Also, Census data are for the Calendar Year 1984. CFC data, on the other hand, reflect business activities of parent corporations whose accounting periods ended between July 1984 and June 1985 and the CFC's which had accounting periods ending there. However, most CFC activity did occur in 1984.

## RECENT INCORPORATIONS

During 1984, there were 1,086 new CFC's incorporated by U.S. giant companies. This represented an 8 percent increase over the number of new incorporations in 1983, possibly another indication of recovery from the earlier recession. Figure D shows the geographic representation of countries of incorporation for the CFC's which were incorporated in 1984.

Figure D.—1984 CFC Incorporations

(Money amounts are in millions of dollars)

Selected area and country of incorporation	Number of incorporations	Total assets	Pre-tax earnings and profits (less deficit)
	(1)	(2)	(3)
<b>All geographic areas</b> .....	<b>1,086</b>	<b>\$11,098</b>	<b>\$32</b>
Canada.....	115	1,388	12
Latin America.....	162	1,469	23
Other Western Hemisphere.....	92	3,298	-39
Bermuda.....	45	789	-22
Netherlands Antilles.....	31	1,861	67
Europe.....	444	2,832	12
France.....	46	250	2
Netherlands.....	48	301	-3
United Kingdom.....	134	1,432	-2
West Germany.....	49	209	14
Africa.....	45	71	-6
Asia.....	138	436	-50
Hong Kong.....	46	164	-45
Japan.....	44	139	4
Oceania.....	39	433	-4
U.S. Possessions.....	51	1,151	6

Note: CFC data shown include only those foreign corporations controlled by U.S. corporations with \$250 million or more in total assets.

For CFC's incorporated prior to 1984, the average asset size was \$22.5 million and the rate of return on assets averaged 8.2 percent. Newly incorporated CFC's generally have smaller assets and lower rates of profitability than more well-established companies. This trend continued for CFC's incorporated in 1984. These companies had an average asset size of \$11.1 million and a return on assets of less than 1 percent. The trend becomes even more evident when subtracting out finance-related corporations. Then, the average asset size is \$5.1 million and there is a deficit in earnings and profits of \$46 million.

European countries led the world in attracting new CFC's. However, nations in the Other Western Hemisphere category attracted new CFC's with the greatest assets. Though there were just 92 new CFC's in the Other Western Hemisphere countries, these companies held assets of \$3.3 billion. These nations also led in pre-tax earnings and profits with \$50 million. Netherlands Antilles' CFC's held the

bulk of the region's numbers in both categories, with \$1.9 billion in assets and \$67 million in reported earnings.

Figure E shows a comparison of CFC's incorporated in the last 10 years to the total number of CFC's. Traditional trading partners, such as Canada, the United Kingdom and the other Common Market nations, remain the most prevalent nations for the establishment of CFC's. Since 1974, however, there has been rapid growth in countries which previously had not had large numbers of CFC's. For example, in the Netherlands Antilles, 76 percent of the total number of CFC's owned by U.S. giant companies were established since 1974. The other three countries which had a majority of their CFC's incorporated between 1974 and 1984 are Bermuda (69 percent), Hong Kong (60 percent), and Japan (52 percent). The recent and rapid growth of incorporations in Japan reflects its rising economic status. In the other countries listed (Netherlands Antilles, Bermuda, and Hong Kong), the predominant industrial activity of the newly incorporated CFC's was finance or insurance-related. These nations, because of a lack of raw materials or for other reasons, are not suitable for the establishment of a manufacturing-based economy. Therefore, they have tried to attract finance or insurance corporations through tax incentives and other concessions. The Deficit Reduction Act of 1984 exempted most types of interest payments made to foreign persons from U.S. tax withholding. Previously, this withholding could only be reduced or eliminated through the use of a tax treaty [15].

## SUMMARY

Controlled Foreign Corporations remained the predominant vehicle for large U.S. multinational corporations to conduct international operations in 1984. There were over 1,100 U.S. corporations controlling over 27,000 CFC's. These foreign subsidiaries generated pre-tax earnings and profits of \$49 billion on receipts of \$625 billion. U.S. shareholders received \$12 billion in dividend payments from CFC's.

Countries of incorporation spanned the globe but traditional U.S. trading partners such as Canada, the United Kingdom, and West Germany continued to be the most dominant. However, since 1975, several nations such as the Netherlands Antilles, Bermuda, Japan, and Hong Kong witnessed a rapid rise in the number of CFC incorporations.

Figure E.—All Controlled Foreign Corporations Compared to Controlled Foreign Corporations Incorporated After 1974: Number and Total Assets, by Selected Country of Incorporation, 1984

(Money amounts are in millions of dollars)

Selected country of incorporation	Total number of CFC's	Total CFC assets	CFC's incorporated after 1974			
			Number	Assets	Percentage of total	
					Number	Assets
(1)	(2)	(3)	(4)	(5)	(6)	
All geographic areas	27,008	\$595,406	9,849	\$166,410	36%	28%
United Kingdom	4,135	83,826	1,380	16,917	33	20
Canada	2,940	99,796	1,028	24,792	35	25
West Germany	1,455	43,969	514	8,826	36	9
Australia	1,389	23,327	428	1,797	31	8
France	1,207	19,700	366	1,672	30	8
Netherlands	1,071	25,551	436	7,659	41	30
Brazil	993	9,422	401	2,613	40	15
Mexico	835	17,716	186	2,499	22	27
Switzerland	781	21,732	274	2,802	35	13
Bermuda	775	22,346	536	9,202	69	41
Italy	741	17,896	312	3,122	39	17
Hong Kong	597	12,223	361	3,873	60	32
Belgium	594	12,396	191	2,022	32	16
South Africa	582	4,167	142	253	24	6
Netherlands Antilles	578	60,116	440	48,169	76	80
Panama	599	19,890	210	2,644	41	14
Spain	502	8,766	167	2,413	33	27
Japan	489	12,466	256	4,103	52	33
Venezuela	377	3,525	28	80	7	2
Sweden	350	2,887	89	159	25	5

Note: CFC data shown include only those foreign corporations controlled by U.S. corporations with \$250 million or more in total assets.

In the aggregate, CFC's tended to have higher profit margins than their U.S. parent corporations. CFC's achieved an 8.2 percent rate of return on assets while the comparable rate for U.S. parent corporations was 2.3 percent. Both of these figures reflected marked improvements over their 1982 levels. This is perhaps a sign of recovery from the recession which plagued the early 1980's.

Although the U.S. merchandise trade deficit exceeded \$107.9 billion for 1984, transactions between U.S. affiliated groups and their CFC's resulted in a U.S. trade surplus of \$16.2 billion. These transactions accounted for nearly 33 percent of total U.S. exports and nearly 17 percent of total U.S. imports in 1984. Canada remained the largest U.S. trading partner and Canadian CFC's maintained the highest volume of transactions with U.S. parent corporations and their affiliates.

#### DATA SOURCES AND LIMITATIONS

The statistics in this article were derived from all U.S. corporation income tax returns with total assets of \$250 million or more and with accounting periods ended July 1984 through June 1985, and from attached Form(s) 5471, Information Return with Respect to a Foreign Corporation. This form replaced Form 2952, Information Return with Respect to Controlled Foreign Corporations, in 1983. Only a handful of Forms 2952 were filed for Income Year 1984 and are included in the data.

Sampling variability was not originally a factor in this study, since returns were selected at a rate of 100 percent and thus equaled the complete population. However, certain taxpayers did not provide the necessary information or provided only partial information for some CFC's. These CFC's (approximately 1,500 corporations) are not included in the data presented here and no attempt was made to weight the sample to adjust for them. For purposes of this article, the sample was considered to be the population (see footnote 3).

Not all of the information regarding CFC transactions (e.g., transactions with "unrelated" parties) is available from Statistics of Income data. However, total business receipts, earnings and profits, foreign taxes and transactions between CFC's and related parties (U.S. parent corporations and their domestic and other foreign subsidiaries) are reported as part of the parent corporation's U.S. income tax return and are included in this article.

Controlled Foreign Corporations were required to identify both their country of incorporation and principal place of business on Forms 5471. In some instances, a CFC's principal place of business differed from its country of incorporation. In other cases, a CFC's country of incorporation and principal place of business were the same, but the CFC conducted a significant portion of its business activities outside this country. The CFC's country

of incorporation and principal place of business were the same in more than 95 percent of all instances. As the statistics in this article are primarily classified by the CFC's country of incorporation, there is an undetermined amount of receipts, earnings, taxes, and transactions which are actually attributable to a country other than the country of incorporation. Additionally, the term "country" as used in this article includes not only countries, but also other separate taxation authorities, such as U.S. possessions.

Controlled Foreign Corporations were classified by their principal business activity as reported on Form 5471. As such, certain receipts, profits, and transaction items may have been related to secondary business activities. It is not possible to measure the extent of these secondary operations.

When U.S. corporations filed consolidated Forms 5471 with aggregated data for several foreign companies, follow-up requests were made in cases where large money amounts were reported in an attempt to obtain the CFC information on a disaggregated basis. More than 75 percent of these requests were successful. Where no information was received, the data were left consolidated under the country in which it was originally reported. Less than 1 percent of the CFC's included in the statistics reported contain financial information for a consolidated group of CFC's.

In some cases, sufficient detail was not provided to indicate by whom the CFC was directly controlled (i.e., by a domestic corporation or a foreign affiliate of the U.S. parent corporation). This was resolved by using the transactions they reported with related corporations to determine the recipient of any dividends. If this information was not conclusive, a previous-year record of the CFC or other reference material was used to determine the ownership.

The 1984 data are based on returns filed by U.S. corporations with full-year accounting periods ending between July 1984 and June 1985. Generally, part-year returns were deleted from the sample to avoid double counting of financial data. According to IRS regulations, a U.S. corporation had to submit a Form 5471 for any Controlled Foreign Corporation with an accounting period ending with or within the U.S. parent's accounting period. Therefore, CFC accounting periods may have ended as early as August 1983 (and, thus, began in September 1982) as late as June 1985. However, most CFC activity did occur in Calendar Year 1984.

#### EXPLANATION OF SELECTED TERMS

**Business Receipts of Controlled Foreign Corporations.**--Business receipts were, in general, gross receipts or gross sales less returns and allowances reported for CFC's on Forms 5471. In the finance, insurance, and real estate industries, business receipts were generally the total income or receipts of the CFC and may have included other types of income such as interest, rents, royalties and other investment income. This definition differs from that used for the business receipts statistics for domestic corporations which generally excludes investment income.

**Current Earnings and Profits of Controlled Foreign Corporations.**--This item represents the difference between the accumulated beginning and ending year balances of earnings and profits available for distribution to the stockholders. In this report, pre-tax current earnings and profits are shown. For Form 5471 purposes, the earnings and profits reported for a foreign corporation had to be calculated under U.S. accounting standards, as required by Internal Revenue regulations.

**Distributions of Controlled Foreign Corporations.**--The distributions of CFC's consisted mostly of dividends. Liquidating dividends may have also been included. Capital gain distributions, and distributions paid out of capital (including capital stock, paid-in capital, and capital surplus) were generally not included.

**Foreign Income Taxes Paid by Controlled Foreign Corporations.**--These were foreign income, war profits, and excess profits taxes paid or accrued by CFC's to foreign countries or U.S. possessions (including Puerto Rico). Also included were taxes imposed by other countries (including the United States) in cases in which the CFC had business operations in countries other than the one in which it was incorporated.

**Inactive Controlled Foreign Corporations.**--Inactive Controlled Foreign Corporations were those that reported no income, deductions, or foreign income taxes paid, but which may have reported dividends paid out of prior-year earnings and profits. These dividends, plus the total assets of these CFC's, are included in the statistics.

**Related Persons of Controlled Foreign Corporations.**--Five categories of related persons of CFC's were shown on Forms 5471 for the purpose of

reporting transactions. They were the U.S. corporation filing the return, a domestic corporation controlled by the U.S. corporation filing the return, a foreign corporation controlled by the U.S. corporation filing the return, a 10-percent-or-more U.S. shareholder of the CFC (other than the controlling shareholder), and a 10-percent-or-more U.S. shareholder of the U.S. corporation filing the return.

*Sales (and Purchases) of Stock in Trade.*—These were sales (and purchases) of merchandise in the ordinary course of trade or business.

*Subpart F Income.*—Subpart F provisions of the Internal Revenue Service Code (section 952) allowed the United States to tax U.S. shareholders on certain types of CFC income. These earnings, although undistributed to shareholders, were deemed to have been distributed and were thereby taxable currently, generally at the same rate(s) as dividends. Subpart F income included the following for 1984: income derived from the insurance of U.S. risks; international boycott participation income; illegal bribes, kickbacks, or other payments to a government official; and "foreign base company income" (i.e., income from a foreign Personal Holding Company and certain types of sales, service, shipping and oil-related income from a foreign base company). Also includible as income from CFC's were amounts of previously excluded Subpart F income meeting certain criteria and increases in foreign corporations' earnings invested in U.S. property.

*Tax Haven Countries.*—Countries having tax and secrecy laws favorable to foreign individuals and organizations are generally considered to be tax havens. They attempt to attract foreign investors by offering taxation lower than that imposed by the investor's own country or by other foreign countries. The tax haven country typically benefits by collecting certain fees or by imposing taxes at a low rate.

*Transactions of Controlled Foreign Corporations.*—Controlled Foreign Corporation transactions were reported on Forms 5471 for five categories of related persons (described previously under "Related Persons of Controlled Foreign Corporations") which dealt with the CFC's. The transactions shown include receipts and payments for such items as stock in trade, dividends, rents and royalties, commissions, services rendered, interest, insurance premiums, and property rights.

*U.S. Affiliated Groups.*—The U.S. parent corporation and all of its wholly-owned domestic subsidiaries included in the filing of a consolidated U.S. income tax return.

*U.S. Parent Merchandise Trade Balance.*—This is the relationship between CFC purchases of stock in trade from U.S. parent groups (exports) and CFC sales of stock in trade to their U.S. parent groups (imports). The excess of exports over imports results in a surplus, while the excess of imports over exports results in a deficit. For 1984, U.S. parent groups realized a \$16.2 billion surplus with respect to merchandise trade with their CFC's.

*U.S. Merchandise Trade Balance.*—This is the relationship between total U.S. merchandise exports and total U.S. merchandise imports. An excess of exports results in a surplus and an excess of imports results in a deficit. The United States realized a merchandise trade deficit of \$107.8 billion for 1984.

#### NOTES AND REFERENCES

- [1] For purposes of this analysis, a CFC's return on assets is defined as the ratio of earnings and profits (less deficits) before taxes to total assets.
- [2] International Bank for Reconstruction and Development, *World Tables*, Baltimore: Johns Hopkins University Press, 1989.
- [3] Due to incomplete reporting of financial information on Forms 5471, approximately 1,500 Controlled Foreign Corporations (CFC's) are not included in the data. However, it is estimated that the 27,008 CFC's for which data are presented in this article represent 95 percent or more of all the financial data for the population and therefore, are comparable to 1982 data. Throughout the rest of this article all references to the CFC population will include only the data for the 27,008 CFC's. (See also "Data Sources and Limitations" at the end of this article.)

- [4] For purposes of this article, data are included only for foreign corporations controlled by U.S. corporations with \$250 million or more in total assets. Subsequent use of the terms "large U.S. multinationals" or "U.S. giant cor-

porations" refers to this group of corporations. Historically, more than two-thirds of all U.S.-controlled foreign corporations have been controlled by U.S. giant corporations. More significantly, both the assets and business receipts of CFC's controlled by these large U.S. corporations have accounted for more than 90 percent of the total assets and business receipts of all CFC's. See statistics on Controlled Foreign Corporations for 1980 in the *Statistics of Income Bulletin*, Summer 1984, Volume 3, Number 4.

- [5] Heller, Kenneth, *The Impact of U.S. Taxation on the Financing and Earnings Remittance Decisions of U.S.-based Multinational Firms with Controlled Foreign Corporations*, Arno Press, 1980, pp. 2-3.

- [6] Heller, *Op. cit.*, pp. 3-4.

- [7] U.S. corporations and individuals may claim a credit on their U.S. taxes for certain taxes paid to foreign governments. An excess foreign tax credit is the amount of creditable foreign taxes that the corporation did not claim in the current year. This could be due to U.S. tax law limitations or deferral to future years. For further information on foreign tax credits, see Mose, Vergie, "Corporate Foreign Tax Credit, 1984," *Statistics of Income Bulletin*, Winter 1989-90, Volume 9, Number 3.

- [8] For a further discussion of income from foreign branches, refer to Mose, Vergie, "Corporate Foreign Tax Credit, 1984," *Statistics of Income Bulletin*, Winter 1989-90, Volume 9, Number 3.

- [9] More recently, the Tax Reform Act of 1986 expanded further the definition of Subpart F income. Generally, these changes apply to taxable years of foreign corporations beginning after December 31, 1986.

- [10] For Statistics of Income purposes, countries that fall under the Other Western Hemisphere

category include Bahamas, Bermuda, Netherlands Antilles, Leeward Islands, Windward Islands, Antigua, Barbuda, the French West Indies, Falkland Islands and Greenland.

- [11] For a further discussion of CFC activity by industry, see Lewis, Margaret P., "Controlled Foreign Corporations, 1984: An Industry Focus," *Statistics of Income Bulletin*, Fall 1989, Volume 9, Number 2.

- [12] There are differences in these figures which limit this comparison. Net income (before taxes), i.e., net income computed under provisions of the Internal Revenue Code, is used in place of earnings and profits for purposes of computing the U.S. parent corporations' return on assets because earnings and profits, as such, is not reported by the parent. To the extent that the concept of earnings and profits differs from that of net income, the comparison of a CFC's return on assets to the U.S. parent corporation's return on assets is limited.

- [13] Pearson, John, *Business Week*, March 22, 1985, p. 155.

- [14] U.S. Department of Commerce, Bureau of the Census, *Highlights of U.S. Export and Import Trade*, FT 990, monthly. Data from this source are based on the 1984 calendar year, while CFC data are based on accounting periods of U.S. parent corporations ended July 1984 through June 1985 and accounting periods of CFC's ending with, or within, the U.S. parent corporation's accounting period.

- [15] For a further discussion of the Deficit Reduction Act of 1984 and its effects on finance-related operations in the Netherlands Antilles, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, 1984," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation

(Money amounts are in thousands of dollars)

Selected country of incorporation and selected industry of controlled foreign corporation	Controlled Foreign Corporations									
	Number of U.S. corporations	Number of foreign corporation returns	Total assets	Business receipts	Current earnings and profits (less deficits) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distribution in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All geographic areas, total</b> .....	<b>1,103</b>	<b>27,008</b>	<b>595,406,483</b>	<b>624,529,965</b>	<b>48,581,785</b>	<b>57,469,606</b>	<b>19,888,594</b>	<b>18,663,431</b>	<b>17,429,494</b>	<b>4,420,021</b>
<b>All Industries, total</b> .....	<b>1,103</b>	<b>27,008</b>	<b>595,406,483</b>	<b>624,529,965</b>	<b>48,581,785</b>	<b>57,469,606</b>	<b>19,888,594</b>	<b>18,663,431</b>	<b>17,429,494</b>	<b>4,420,021</b>
Agriculture, forestry and fishing.....	46	161	978,638	1,006,480	38,633	88,809	31,682	33,787	19,072	-
Mining.....	123	821	25,901,284	19,534,830	5,840,113	7,263,229	4,016,773	4,021,775	2,088,531	151,361
Construction.....	51	396	4,778,866	5,840,113	431,745	561,290	164,504	171,063	14,108	-
Manufacturing.....	156	626	16,223,121	10,011,858	641,795	27,510,932	9,923,041	6,988,985	7,396,511	845,662
Transportation and public utilities.....	467	4,646	74,983,155	199,002,412	9,143,205	10,579,211	232,909	226,388	537,151	158,425
Wholesale and retail trade.....	671	3,915	228,186,477	34,113,467	6,917,561	8,143,221	3,971,657	4,430,170	682,542	-
Finance, insurance and real estate.....	399	2,571	19,436,761	12,937,029	1,658,857	1,900,428	414,495	432,473	395,550	176,611
Services.....	133	341	758,852	656,025	72,907	91,700	17,805	17,866	11,610	709
Nature of business not allocable.....	-	-	-	-	-	-	-	-	-	-
<b>Canada</b> .....	<b>761</b>	<b>2,840</b>	<b>99,795,914</b>	<b>117,740,139</b>	<b>10,885,548</b>	<b>11,387,673</b>	<b>4,216,902</b>	<b>4,195,403</b>	<b>3,546,748</b>	<b>172,849</b>
<b>All Industries, total</b> .....	<b>761</b>	<b>2,840</b>	<b>99,795,914</b>	<b>117,740,139</b>	<b>10,885,548</b>	<b>11,387,673</b>	<b>4,216,902</b>	<b>4,195,403</b>	<b>3,546,748</b>	<b>172,849</b>
Agriculture, forestry and fishing.....	4	4	54,133	39,873	11,991	11,991	5,359	5,359	-	-
Mining.....	85	147	11,013,230	7,885,807	2,032,111	2,098,216	925,219	923,890	945,802	2,405
Construction.....	24	46	614,067	1,004,302	119,350	121,259	35,263	51,597	-	-
Manufacturing.....	404	777	48,561,760	31,182,336	3,008,006	4,086,872	1,378,351	1,409,159	979,584	193,814
Transportation and public utilities.....	61	121	5,702,587	81,451,382	7,441,940	18,042	155,889	18,042	15,798	16,229
Wholesale and retail trade.....	145	297	21,945,837	3,662,546	484,021	574,020	154,659	120,285	294,401	60,302
Finance, insurance and real estate.....	124	279	2,202,409	1,613,333	164,845	187,182	62,937	71,870	14,822	12,361
Services.....	25	34	56,637	16,044	538	1,290	650	634	1,514	-
Nature of business not allocable.....	-	-	-	-	-	-	-	-	-	-
<b>Latin America, total</b> .....	<b>624</b>	<b>4,395</b>	<b>66,543,615</b>	<b>68,071,722</b>	<b>5,164,258</b>	<b>7,012,933</b>	<b>1,873,808</b>	<b>1,940,589</b>	<b>1,905,702</b>	<b>603,824</b>
<b>All Industries, total</b> .....	<b>624</b>	<b>4,395</b>	<b>66,543,615</b>	<b>68,071,722</b>	<b>5,164,258</b>	<b>7,012,933</b>	<b>1,873,808</b>	<b>1,940,589</b>	<b>1,905,702</b>	<b>603,824</b>
Agriculture, forestry and fishing.....	30	81	380,612	178,411	-24,128	14,860	2,254	2,325	2,014	-
Mining.....	66	208	3,987,140	1,327,916	239,846	442,123	85,477	87,925	163,441	69,400
Construction.....	19	51	690,670	307,248	25,166	56,371	13,571	13,688	5,679	5,344
Manufacturing.....	327	1,500	28,855,140	33,182,336	3,008,006	4,086,872	1,378,351	1,409,159	979,584	193,814
Transportation and public utilities.....	47	105	8,225,536	801,868	-1,189	191	67	67	-	-
Wholesale and retail trade.....	174	529	8,309,527	25,969,143	712,664	843,402	186,144	200,444	395,300	100,288
Finance, insurance and real estate.....	209	481	19,554,043	5,066,938	116,914	989,316	124,851	130,547	252,171	90,000
Services.....	142	333	2,055,276	1,225,884	357,746	353,973	64,724	64,358	71,307	29,118
Nature of business not allocable.....	34	52	84,427	11,949	29,235	30,126	394	390	401	97
<b>Brazil</b> .....	<b>371</b>	<b>993</b>	<b>17,775,852</b>	<b>18,493,699</b>	<b>1,851,911</b>	<b>2,466,141</b>	<b>677,779</b>	<b>720,786</b>	<b>589,256</b>	<b>47,079</b>
<b>All Industries, total</b> .....	<b>371</b>	<b>993</b>	<b>17,775,852</b>	<b>18,493,699</b>	<b>1,851,911</b>	<b>2,466,141</b>	<b>677,779</b>	<b>720,786</b>	<b>589,256</b>	<b>47,079</b>
Agriculture, forestry and fishing.....	11	15	43,921	17,062	-5,161	2,144	807	837	18	-
Mining.....	27	60	530,430	68,056	-2,510	14,807	3,418	3,407	2,339	18
Construction.....	8	9	171,821	110,689	6,828	14,984	4,258	4,199	4,183	-
Manufacturing.....	202	382	10,775,822	10,068,950	1,189,123	1,633,950	504,583	519,638	490,717	28,516
Transportation and public utilities.....	8	12	16,265	10,765	347	2,332	904	1,349	538	-
Wholesale and retail trade.....	70	103	2,109,684	6,050,632	225,551	281,149	68,231	90,446	53,259	3,859
Finance, insurance and real estate.....	71	130	3,651,973	1,806,787	264,902	331,571	89,609	93,872	37,075	13,222
Services.....	77	92	384,821	359,660	173,221	186,021	5,909	6,981	1,153	1,304
Nature of business not allocable.....	9	12	20,947	1,090	-391	53	60	60	60	-
<b>Mexico</b> .....	<b>327</b>	<b>835</b>	<b>8,422,497</b>	<b>11,637,194</b>	<b>824,093</b>	<b>1,056,003</b>	<b>543,721</b>	<b>552,897</b>	<b>160,784</b>	<b>13,711</b>
<b>All Industries, total</b> .....	<b>327</b>	<b>835</b>	<b>8,422,497</b>	<b>11,637,194</b>	<b>824,093</b>	<b>1,056,003</b>	<b>543,721</b>	<b>552,897</b>	<b>160,784</b>	<b>13,711</b>
Agriculture, forestry and fishing.....	5	15	12,122	9,053	425	1,228	396	420	513	-
Mining.....	8	12	58,124	49,230	-2,995	1,095	499	-2,306	-	-
Construction.....	5	7	14,705	18,549	4,513	4,915	2,109	2,071	1,522	-
Manufacturing.....	210	405	5,623,771	7,857,770	707,640	883,186	485,253	496,898	106,241	59
Transportation and public utilities.....	3	3	6,061	4,146	-67	105,650	42,625	42,865	17,116	185
Wholesale and retail trade.....	56	83	1,342,567	1,922,677	90,600	30,531	5,407	5,600	31,896	-
Finance, insurance and real estate.....	47	59	1,878,044	1,480,551	-23,978	30,531	5,407	5,600	3,749	-
Services.....	36	45	338,421	295,015	18,780	20,030	7,360	7,376	5	-
Nature of business not allocable.....	4	4	50,703	202	29,167	29,178	5	5	-	-
<b>Panama</b> .....	<b>196</b>	<b>509</b>	<b>18,889,886</b>	<b>20,833,290</b>	<b>1,294,847</b>	<b>1,507,205</b>	<b>231,090</b>	<b>235,486</b>	<b>646,575</b>	<b>393,843</b>
<b>All Industries, total</b> .....	<b>196</b>	<b>509</b>	<b>18,889,886</b>	<b>20,833,290</b>	<b>1,294,847</b>	<b>1,507,205</b>	<b>231,090</b>	<b>235,486</b>	<b>646,575</b>	<b>393,843</b>
Agriculture, forestry and fishing.....	16	53	1,598,822	3,118,185	155,638	192,117	21,587	22,261	119,262	49,591
Mining.....	5	12	299,202	57,729	3,436	9,202	4,850	4,884	86,962	156,384
Construction.....	45	71	2,420,321	4,743,089	513,279	519,430	135,004	135,930	997	5,025
Manufacturing.....	29	48	1,327,226	559,996	-92,297	49,992	26,643	26,557	231,931	84,478
Transportation and public utilities.....	47	65	2,850,505	13,948,466	216,209	226,013	6,141	6,140	153,367	3,014
Wholesale and retail trade.....	46	71	9,812,515	1,056,610	419,672	431,754	8,141	8,140	48,027	-
Finance, insurance and real estate.....	37	37	346,202	149,056	78,758	79,545	33,866	33,856	283	-
Services.....	5	6	2,681	159	152	153	2	2	-	-
Nature of business not allocable.....	-	-	-	-	-	-	-	-	-	-

Footnotes at end of table.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected country of incorporation and selected industry of controlled foreign corporation	Controlled Foreign Corporations									
	Number of U.S. corporations	Number of foreign corporation returns	Total assets	Business receipts	Current earnings and profits (less deficits) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distribution in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Venezuela</b> .....	<b>181</b>	<b>377</b>	<b>3,524,672</b>	<b>2,784,877</b>	<b>139,460</b>	<b>316,423</b>	<b>103,158</b>	<b>103,089</b>	<b>101,857</b>	<b>10,657</b>
<b>All Industries, total</b> .....	<b>181</b>	<b>377</b>	<b>3,524,672</b>	<b>2,784,877</b>	<b>139,460</b>	<b>316,423</b>	<b>103,158</b>	<b>103,089</b>	<b>101,857</b>	<b>10,657</b>
Agriculture, forestry and fishing.....	-	-	-	-	-	-	-	-	-	-
Mining.....	19	9	253,148	103,075	15,533	18,936	10,269	10,680	47	2,955
Construction.....	5	5	59,293	45,264	1,462	4,363	1,366	1,366	-	-
Manufacturing.....	84	147	2,402,918	2,233,733	63,785	209,036	69,665	70,233	74,786	6,949
Transportation and public utilities.....	7	15	55,298	40,875	9,952	10,111	2,314	2,314	3,864	6,278
Wholesale and retail trade.....	35	44	441,846	262,153	21,561	35,900	7,581	7,586	6,484	6,949
Finance, insurance and real estate.....	14	20	102,934	17,775	9,108	11,397	3,104	3,140	6,968	363
Services.....	21	29	171,152	91,993	18,068	27,487	8,845	7,476	11,705	112
Nature of business not allocable.....	4	4	656	-	-8	3	15	15	2	-
<b>Other Western Hemisphere, total</b> .....	<b>586</b>	<b>1,610</b>	<b>90,638,424</b>	<b>40,799,282</b>	<b>3,269,817</b>	<b>4,321,555</b>	<b>355,870</b>	<b>356,837</b>	<b>920,398</b>	<b>2,090,179</b>
<b>All Industries, total</b> .....	<b>586</b>	<b>1,610</b>	<b>90,638,424</b>	<b>40,799,282</b>	<b>3,269,817</b>	<b>4,321,555</b>	<b>355,870</b>	<b>356,837</b>	<b>920,398</b>	<b>2,090,179</b>
Agriculture, forestry and fishing.....	-	-	-	-	-	-	-	-	-	-
Mining.....	134	100	1,212,864	20,391	-42,781	113,334	25,690	25,973	64,229	64,096
Construction.....										

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Table with columns: Selected country of incorporation and selected industry of controlled foreign corporation, Number of U.S. corporations, Number of foreign corporation returns, Total assets, Business receipts, Current earnings and profits (less deficit) before taxes, Foreign corporations with current earnings and profits (+) before taxes, Foreign income taxes (net), Actual distribution in current year, Subpart F income. Rows include Austria, Belgium, Denmark, France (including Andors), Italy (including San Marino), Netherlands, and various industries like Agriculture, Mining, Construction, etc.

Footnotes at end of table.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Table with columns: Selected country of incorporation and selected industry of controlled foreign corporation, Number of U.S. corporations, Number of foreign corporation returns, Total assets, Business receipts, Current earnings and profits (less deficit) before taxes, Foreign corporations with current earnings and profits (+) before taxes, Foreign income taxes (net), Actual distribution in current year, Subpart F income. Rows include Norway, Spain, Sweden, Switzerland, United Kingdom, West Germany, and various industries like Agriculture, Mining, Construction, etc.

Footnotes at end of table.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected country of incorporation and selected industry of controlled foreign corporation	Controlled Foreign Corporations									
	Number of U.S. corporations	Number of foreign corporation returns	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distribution in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Africa, total</b>										
All industries, total	301	1,328	15,150,943	14,962,139	1,049,382	1,832,048	1,018,354	901,805	687,272	147,637
Agriculture, forestry and fishing	5	6	76,256	86,641	5,074	5,356	230	1,102	—	—
Mining	24	74	1,630,925	1,366,979	676,030	753,838	585,185	586,983	40,657	14,207
Construction	10	19	89,873	117,303	12,549	16,630	7,214	6,903	6,919	—
Manufacturing	127	263	2,893,224	4,035,983	185,706	337,712	167,473	137,701	154,588	3,655
Transportation and public utilities	49	109	3,472,881	1,494,288	-189,438	159,392	2,313	2,373	299,163	118,380
Wholesale and retail trade	80	199	2,798,857	7,294,598	376,201	445,065	227,802	228,234	130,025	4,641
Finance, insurance and real estate	46	130	2,607,356	419,658	-22,060	94,389	23,942	25,000	31,204	5,616
Services	41	75	482,822	140,375	6,126	19,463	4,144	4,234	4,516	1,174
Nature of business not allocable	16	24	14,513	5,214	-806	202	52	56	199	—
<b>Liberia</b>										
All industries, total	86	291	6,322,948	2,165,305	-252,578	266,148	9,359	10,303	349,185	143,386
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	7	29	312,636	60,249	-28,581	33,197	—	557	21,116	14,207
Construction	4	8	83,316	39,330	5,345	5,397	3,850	3,826	—	2,551
Manufacturing	44	98	3,460,658	1,486,740	-189,956	157,302	1,818	1,877	299,163	118,380
Transportation and public utilities	4	4	299,438	366,163	19,896	19,902	302	302	14,037	2,068
Wholesale and retail trade	12	17	1,519,073	108,230	-67,115	36,015	3,095	3,095	14,550	5,616
Finance, insurance and real estate	12	21	345,954	25,006	1,827	6,049	65	417	320	163
Services	4	6	1,418	—	-530	99	—	—	—	—
Nature of business not allocable	—	—	—	—	—	—	—	—	—	—
<b>South Africa (including Namibia)</b>										
All industries, total	212	582	4,166,745	7,083,889	320,494	487,389	271,766	271,906	214,017	194
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	7	14	30,133	23,920	1,959	5,527	2,369	3,241	2,575	—
Construction	5	6	26,807	91,705	11,909	12,033	6,164	6,147	6,029	—
Manufacturing	105	165	2,034,310	3,459,795	149,236	235,740	121,519	118,996	131,574	184
Transportation and public utilities	7	7	8,209	2,711	1,066	1,396	450	450	—	—
Wholesale and retail trade	65	85	1,254,356	3,169,766	130,114	191,638	125,814	125,474	65,106	—
Finance, insurance and real estate	29	83	589,711	238,945	20,154	31,584	12,270	13,183	6,058	—
Services	18	30	81,332	96,151	6,325	9,375	3,636	3,558	2,479	—
Nature of business not allocable	8	11	2,283	996	-57	85	43	47	199	—
<b>Asia, total</b>										
All industries, total	505	2,361	39,488,839	45,084,714	3,718,107	4,155,837	1,396,216	1,396,270	1,512,097	212,204
Agriculture, forestry and fishing	5	8	126,671	111,621	22,425	22,943	10,268	8,105	10,268	8,105
Mining	28	48	360,004	377,834	75,186	93,590	44,424	44,957	3,961	1,557
Construction	15	59	774,149	1,244,173	92,322	109,676	40,010	40,171	40,553	7,914
Manufacturing	236	770	17,143,632	23,679,822	2,950,965	2,887,413	918,414	926,689	871,702	4,460
Transportation and public utilities	19	39	1,882,781	668,165	190,136	162,244	36,857	36,970	110,964	3,908
Wholesale and retail trade	214	530	6,556,689	15,512,075	731,103	781,906	269,044	267,533	375,488	186,048
Finance, insurance and real estate	81	244	10,899,887	1,825,380	116,432	210,176	31,145	36,073	14,652	3,237
Services	125	246	1,616,418	1,860,756	167,527	187,531	35,967	36,654	86,672	10,890
Nature of business not allocable	16	29	10,944	4,909	6	155	86	55	—	—
<b>Hong Kong</b>										
All industries, total	282	597	12,223,191	6,772,075	704,134	819,175	134,912	135,046	348,785	101,234
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	3	3	10,165	12,530	8,590	9,093	—	52	256	909
Construction	5	6	33,213	86,085	6,985	7,059	1,209	1,208	3,072	—
Manufacturing	68	103	1,958,692	2,378,193	181,924	214,771	42,652	42,811	78,840	16,596
Transportation and public utilities	8	16	1,802,777	632,042	152,844	152,985	35,519	35,519	110,426	3,908
Wholesale and retail trade	99	142	1,568,584	2,407,617	213,281	223,481	28,216	28,138	138,687	74,581
Finance, insurance and real estate	55	113	6,401,934	970,891	60,912	147,540	12,023	12,133	3,471	3,230
Services	61	78	354,380	284,717	59,259	64,184	15,265	15,158	14,032	10,011
Nature of business not allocable	6	9	8,686	—	59	61	28	28	—	—
<b>Japan (including Okinawa and Ryukyu)</b>										
All industries, total	280	489	12,465,704	19,243,818	1,507,235	1,578,538	830,256	831,498	534,721	64,669
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	—	—	—	—	—	—	—	—	—	—
Construction	5	75	74,357	117,948	17,787	18,396	11,128	11,128	893	8,670
Manufacturing	117	175	6,445,214	8,214,119	1,110,741	1,151,378	624,414	625,931	354,670	—
Transportation and public utilities	3	3	7,773	5,866	-73	1,713	1,033	1,145	311	—
Wholesale and retail trade	116	149	3,687,862	10,412,605	346,014	368,675	169,026	167,445	165,042	59,900
Finance, insurance and real estate	21	32	1,878,993	257,263	10,234	21,186	8,387	8,894	4,637	—
Services	50	62	364,599	235,433	22,581	25,935	16,127	16,843	9,168	—
Nature of business not allocable	7	9	572	265	-48	55	42	11	—	—

Footnotes at end of table.

Table 1.—U.S. Corporation Returns with Total Assets of \$250 Million or More: Controlled Foreign Corporation Total Assets, Receipts, Earnings, Taxes, Distributions, and Subpart F Income, by Selected Country of Incorporation and Selected Industry of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected country of incorporation and selected industry of controlled foreign corporation	Controlled Foreign Corporations									
	Number of U.S. corporations	Number of foreign corporation returns	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distribution in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Philippines</b>										
All industries, total	93	136	1,541,417	2,119,186	124,874	162,232	59,698	65,859	11,854	598
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	4	4	54,682	56,603	5,437	5,954	4,324	4,324	354	—
Construction	3	3	4,468	4,126	-488	470	125	125	36	—
Manufacturing	54	61	1,148,793	1,860,954	112,796	142,450	52,282	54,848	11,526	270
Transportation and public utilities	19	23	66,095	80,851	8,136	9,194	2,626	2,632	3	—
Wholesale and retail trade	9	9	36,758	44,841	175	79	3,768	3	327	—
Finance, insurance and real estate	9	9	31,589	29,839	3,905	3,979	262	262	35	—
Services	—	—	—	—	—	—	—	—	—	—
Nature of business not allocable	—	—	—	—	—	—	—	—	—	—
<b>Oceania, total</b>										
All industries, total	409	1,709	24,793,848	22,724,806	1,388,828	1,721,058	617,654	612,643	562,861	73,893
Agriculture, forestry and fishing	10	13	154,336	364,610	3,167	8,731	1,993	3,479	4,976	—
Mining	31	54	410,613	177,691	-25,852	24,973	8,749	8,811	11,989	2
Construction	10	21	134,887	210,780	7,865	17,332	6,180	6,174	5,465	—
Manufacturing	205	442	9,040,848	12,087,470	832,052	974,267	398,676	396,369	281,083	2,180
Transportation and public utilities	14	22	238,272	204,406	25,111	28,678	10,586	10,586	10,381	245
Wholesale and retail trade	69	249	3,773,057	7,688,456	242,832	302,770	100,354	98,797	53,284	36,883
Finance, insurance and real estate	124	249	3,773,057	1,612,964	284,142	317,430	66,405	66,405	177,158	33,762
Services	89	251	10,343,057	377,003	27,120	45,295	21,321	21,265	16,931	820
Nature of business not allocable	76	145	518,975	1,446	1,390	1,580	758	758	694	—
<b>Australia</b>										
All industries, total	394	1,389	23,327,255	20,489,758	1,257,208	1,566,171	551,002	547,202	532,213	73,510
Agriculture, forestry and fishing	10	13	154,336	364,610	3,167	8,731	1,993	3,479	4,976	—
Mining	30	45	354,504	160,245	-27,048	19,452	8,749	8,810	11,989	2
Construction	10	21	134,887	210,780	7,865	17,332	6,180	6,174	5,465	—
Manufacturing	200	353	8,857,910	11,458,199	771,827	915,741	373,634	372,839	264,065	2,097
Transportation and public utilities	12	20	230,487	205,074	26,074	28,678	10,586	10,586	10,381	245
Wholesale and retail trade	110	196	3,297,110	6,334,712	193,867	250,532	72,263	69,579	44,752	36,583
Finance, insurance and real estate	81	214	9,841,648	1,452,329	252,730	285,721	57,201	55,365	33,762	—
Services	70	130	493,739	352,234	23,068	41,140	20,760	16,885	16,885	820
Nature of business not allocable	10	13	26,044	1,446	1,390	1,580	7			

Table 2.—Number of U. S. Corporation Returns with Total Assets of \$250 Million or More: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Their Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation

(Money amounts are in thousands of dollars)

Selected country of incorporation of controlled foreign corporation	Number of U.S. corporation returns	Controlled Foreign Corporations						
		Number of foreign corporation returns	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Net taxes	Actual distributions in cash during year	Subpart F income
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
<b>All geographic areas, total</b>	<b>1,103</b>	<b>27,008</b>	<b>895,406,489</b>	<b>624,529,888</b>	<b>48,591,785</b>	<b>10,663,431</b>	<b>17,429,494</b>	<b>4,420,024</b>
Canada	1,603	2,840	96,795,814	117,740,139	10,885,548	4,195,403	3,546,748	172,649
Latin America, total	624	4,385	66,543,615	61,071,722	5,164,258	1,940,589	1,905,720	603,824
Mexico	835	8	9,422,497	11,637,194	824,093	160,764	13,212	13,212
Central America, total	247	20	20,439,675	22,350,601	1,389,665	278,266	687,990	394,037
Costa Rica	64	101	397,426	407,338	10,006	5,799	—	—
El Salvador	92	96	584,010	409,488	100,454	10,866	15,553	16
Guatemala	22	29	409,111	44,827	9,824	2,849	11,202	378
Honduras	29	69	408,111	70,762	23,480	16,553	15,553	16
Nicaragua	22	26	50,658	44,827	10,006	5,799	10,061	—
Panama	509	18,889,886	20,833,290	1,294,847	235,456	646,575	393,643	—
Caribbean countries, total	231	471	6,904,915	2,080,590	532,915	57,884	87,264	135,752
Cayman Islands (British)	156	285	6,026,613	1,597,675	405,657	75,655	116,218	—
Dominican Republic	30	62	386,700	161,470	72,826	13,165	2,832	—
Jamaica	40	57	81,582	74,006	6,763	3,942	2,571	—
South America, total	440	2,247	29,776,529	32,003,337	2,417,584	1,050,442	969,604	60,823
Argentina	165	303	4,189,898	4,616,407	25,490	21,811	61,607	2,344
Brazil	19	23	30,484	36,448	-9,239	445	—	—
Chile	371	993	17,775,652	18,493,699	1,851,911	720,788	589,256	47,079
Colombia	92	140	1,267,543	1,335,081	127,676	58,133	79,330	149
Ecuador	48	69	1,887,114	3,388,675	210,220	91,641	72,953	393
Peru	80	123	365,166	50,432	14,944	14,944	—	—
Uruguay	40	62	474,454	693,040	38,060	35,289	18,726	—
Venezuela	181	377	233,556	270,098	-20,100	2,632	6,008	(1)
Other Western Hemisphere, total	586	1,610	96,838,424	40,798,282	3,269,817	356,337	920,398	2,090,179
Bahamas	97	234	7,949,971	15,390,781	-111,831	59,209	140,396	90,934
Bermuda	360	775	22,346,050	17,628,532	1,131,376	92,306	504,636	—
Netherlands Antilles	363	578	60,116,451	7,684,978	2,268,851	205,793	352,717	1,494,442
Europe, total	771	12,363	252,554,023	309,494,761	19,515,540	9,205,619	7,537,182	507,363
Common Market countries, total	303	594	12,396,043	18,973,221	511,641	239,985	219,257	65,545
Belgium	134	207	1,776,780	3,102,316	124,194	61,851	37,273	621
Denmark	196	120	19,699,601	34,520,634	1,552,693	793,273	528,360	39,626
France (including Andorra)	69	81	978,341	8,608	6,608	7,294	—	(1)
Germany	380	121	3,949,672	3,399,273	26,693	113,661	19,872	—
Ireland	372	740	17,896,156	23,969,229	1,543,138	869,156	383,919	9,457
United Kingdom	126	191	3,690,504	865,624	84,986	39,311	7,791	—
Luxembourg	634	1,071	25,511,110	12,780,455	1,347,826	388,720	172,025	—
Netherlands	458	4,135	83,826,123	96,410,493	11,507,602	4,802,692	107,622	—
West Germany	425	1,455	43,967,625	59,556,385	2,761,622	1,301,009	1,058,055	54,525
Other West European countries, total	188	267	2,501,320	3,309,232	183,185	60,087	16,639	—
Austria	89	100	986,685	1,485,917	103,054	45,658	35,600	—
Finland	32	39	329,939	282,559	2,562	21,818	22,726	—
Leichtenstein	126	191	1,510,678	2,706,337	18,722	98,508	28,827	38,710
Norway	80	106	555,089	1,026,274	74,842	181,625	169,859	419
Sweden	245	502	8,766,051	7,426,418	347,978	181,625	157,447	75,568
Switzerland	192	350	2,837,453	4,750,250	308,537	157,447	157,447	—
Turkey	15	21	138,820	463,313	28,976	11,045	3,823	—
East European countries, total	8	15	16,894	7,023	4,754	5,294	—	—
Africa, total	301	1,328	15,190,943	14,962,139	1,049,382	991,805	667,272	147,873
Egypt	17	17	186,401	356,841	17,653	12,963	948	—
Libya	38	52	278,365	401,575	26,845	21,797	143,386	—
Morocco	16	19	6,322,948	2,165,305	-252,578	6,328	349,185	2,563
Nigeria	50	67	2,727,744	2,177,045	633,708	33,559	—	194
South Africa (including Namibia)	212	582	4,166,745	7,083,889	320,494	271,906	214,017	—
Zaire	17	21	116,202	153,026	22,679	10,113	2,955	—
Zimbabwe	38	65	140,805	171,228	30,480	16,776	10,002	—
Asia, total	805	2,381	39,489,839	45,084,714	3,718,107	1,399,370	1,512,097	212,204
China	24	29	391,976	1,162,254	72,780	15,800	13,120	—
Hong Kong	282	597	12,223,191	6,772,075	704,134	10,113	2,955	109,234
India	23	34	402,724	584,546	82,703	40,224	22,271	—
Indonesia	50	63	435,877	463,359	87,990	51,021	5,884	68,569
Israel	32	56	1,228,677	322,576	19,474	7,682	5,884	—
Japan	260	499	12,455,704	19,243,616	1,507,235	831,498	534,721	130
Malaysia	112	170	1,515,836	3,059,592	225,710	73,612	598	—
Philippines	93	136	1,541,417	1,219,186	65,959	101,043	10,343	151
Saudi Arabia	25	29	1,043,870	1,402,810	128,013	15,226	269,236	32,534
Singapore	226	364	4,422,246	4,550,530	355,822	54,169	20,568	55
South Korea	36	43	508,225	523,315	89,066	17,532	45,309	—
Taiwan	65	120	1,400,373	1,846,838	184,247	27,521	45,309	—
Thailand	85	117	1,915,502	2,016,941	86,076	29,191	562,881	73,693
Oceania, total	409	1,709	24,793,848	22,724,896	1,388,828	612,643	532,213	303
Australia	394	1,389	23,327,255	20,499,738	1,257,209	547,222	26,432	—
New Zealand	156	299	1,241,438	1,224,938	64,878	64,878	—	12,383
Puerto Rico and U.S. Possessions, total	117	290	4,766,749	4,336,222	143,108	50,164	1,129	1,062
Puerto Rico	65	86	1,671,409	1,597,675	36,199	12,294	755	—
U.S. Possessions, total	49	62	1,653,791	1,435,976	33,568	11,891	—	8,632

Footnote at end of table

Table 2.—Number of U. S. Corporation Returns with Total Assets of \$250 Million or More: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Their Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected country of incorporation of Controlled Foreign Corporation	Controlled Foreign Corporations									
	Selected receipts by foreign corporations from:									
	U.S. corporation filing returns and domestic corporation controlled by the U.S. corporation filing the return					Any foreign corporation controlled by the U.S. corporation filing the return				
All related persons	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	Interest, rents, and royalties received
<b>All geographic areas, total</b>	<b>83,528,175</b>	<b>68,589,582</b>	<b>54,859,629</b>	<b>4,208,307</b>	<b>7,207,332</b>	<b>14,648,044</b>	<b>873,649</b>	<b>3,718,226</b>	<b>3,718,226</b>	<b>3,718,226</b>
Canada	25,500,727	22,574,438	22,004,788	325,162	131,752	2,427,370	130,267	270,330	270,330	3,734,962
Latin America, total	68,071,722	68,071,104	3,648,411	398,383	598,051	1,358,995	160,889	111,533	160,889	942,231
Mexico	1,391,435	1,294,197	1,668,339	44,626	56,795	108,533	7,355	24,398	7,355	640,138
Central America, total	2,373,112	1,729,437	1,377,055	168	2,370	640,705	120,116	21,825	240,505	33,374
Costa Rica	80,566	76,731	73,803	168	2,370	120,116	21,825	3,636	3,636	975
El Salvador	55,684	53,7	50,197	1,032	50	1,512	—	685	685	93
Guatemala	68,270	67,455	67,383	—	50	2,311	—	1,355	1,355	675
Honduras	1,109	200	—	—	72	815	—	169	169	624
Nicaragua	2,166,741	1,531,231	1,185,735	41,806	219,717	632,032	117,019	19,147	239,111	—
Panama	555,063	501,729	297,420	18,579	143,478	151,820	19,614	9,112	14,444	—
Caribbean countries, total	500,423	452,482	260,576	9,746	142,514	45,928	19,614	9,053	8,313	—
Cayman Islands (British)	1,098	1,066	853	72	18	43	—	—	—	—
Jamaica	8,170	7,960	7,024	—	—	—	—	—	—	—
South America, total	2,019,116	1,458,239	807,597	291,172	945	170,568	28,152	26	152	—
Argentina	173,574	147,206	124,364	13,337	2,422	26,368	13,742	56,198	352,114	—
Brazil	1,440,969	1,026,108	646	21	167,635	25,867	11,720	12,703	2,546	—
Chile	38,197	11,230	124,364	13,337	2,422	26,368	13,742	56,198	352,114	—
Colombia	104,389	83,319	70,072	3,169	1,239	21,030	89	5,599	6,625	—
Costa Rica	4,376	4,241	4,099	208	208	3,708	10	1,134	734	—
Cuba	1,946	1,106	749	17	246	798	10	940	684	—
Ecuador	12,423	11,066	149,435	3,398	2,565	65,746	161	12,135	15,411	—
Peru	13,632,154	13,634,530	7,955,772	51,375	4,854,743	802,37				

Table 2.—Number of U. S. Corporation Returns with Total Assets of \$250 Million or More: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Their Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation—Continued

(Money amounts are in thousands of dollars)

Selected country of incorporation of Controlled Foreign corporation	Controlled Foreign Corporations										
	All related persons	Selected payments by foreign corporations to:					Any foreign corporations controlled by the U.S. corporation filing the return				
		U.S. corporation filing return and domestic corporations controlled by the U.S. corporation filing the return					U.S. corporation filing the return				
		Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid	Interest, rents and royalties paid	Total	Purchases of stock in trade	Compensation for certain services	Dividends paid	Interest, rents and royalties paid
(16)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
<b>All geographic areas total</b>	<b>112,600,816</b>	<b>96,424,708</b>	<b>71,095,809</b>	<b>4,137,396</b>	<b>11,783,824</b>	<b>7,968,640</b>	<b>14,966,599</b>	<b>757,373</b>	<b>4,013,396</b>	<b>5,203,748</b>	<b>4,084,009</b>
<b>Canada</b>	<b>27,183,988</b>	<b>24,461,216</b>	<b>20,367,519</b>	<b>1,008,388</b>	<b>1,910,873</b>	<b>865,190</b>	<b>2,586,868</b>	<b>33,162</b>	<b>365,131</b>	<b>1,517,059</b>	<b>557,171</b>
<b>Latin America, total</b>	<b>9,783,522</b>	<b>8,509,502</b>	<b>5,531,804</b>	<b>280,633</b>	<b>280,633</b>	<b>1,617,542</b>	<b>886,843</b>	<b>1,241,287</b>	<b>248,428</b>	<b>222,558</b>	<b>561,113</b>
Mexico	1,839,365	1,644,023	1,179,723	71,560	107,205	230,943	194,586	87,987	10,803	46,899	32,328
Central America, total	4,258,904	3,983,370	2,844,625	101,560	608,204	289,362	404,051	145,970	46,625	1,040,903	1,093,177
Costa Rica	19,980	17,622	5,352	2,090	4,691	4,224	2,359	—	865	6,397	250
El Salvador	12,876	4,939	1,198	1,041	2,304	390	—	—	211	281	596
Guatemala	35,025	33,591	11,952	1,059	15,059	2,680	1,425	—	552	16	722
Honduras	4,541	4,286	424	1,276	1,292	307	—	—	255	—	—
Nicaragua	4,184,805	3,792,544	2,633,600	94,133	579,190	290,115	390,796	145,970	43,914	64,040	107,867
Panama	727,711	683,249	425,534	43,584	74,580	113,155	27,989	—	14,297	6,747	5,730
Caribbean countries, total	666,615	613,273	383,701	42,382	67,190	109,864	24,870	—	14,297	4,745	4,628
Cuba	5,886	5,030	834	361	2,721	716	245	—	—	52	183
Jamaica	9,480	2,332,859	1,081,860	43,928	627,553	244,423	614,660	14,471	50,933	105,635	413,118
South America, total	2,044,389	377,847	204,374	23,221	78,231	50,555	32,542	—	7	—	—
Argentina	721	714	266	1,973	535,577	144,287	424,667	9,229	21,846	50,337	303,569
Bolivia	1,669,980	1,245,300	500,950	956	67,127	13,555	658	3,817	131,795	47,396	46,412
Chile	175,813	117,242	43,739	3,832	12,887	58,571	403	—	3,146	4,033	13,133
Colombia	174,433	151,130	53,321	7,146	67,127	13,555	658	3,817	131,795	47,396	46,412
Ecuador	23,148	22,140	9,826	1,710	7,746	1,053	1,008	136	74	296	390
Peru	84,515	82,036	61,055	2,392	13,178	3,679	2,579	188	1,240	233	23
Venezuela	17,222	16,868	8,531	799	5,856	1,900	254	—	43	33	23
Uruguay	389,111	317,483	199,705	2,813	65,864	16,158	71,628	1,678	11,804	28,748	18,899
<b>Other Western Hemisphere, total</b>	<b>5,136,377</b>	<b>4,094,470</b>	<b>2,581,780</b>	<b>78,384</b>	<b>646,732</b>	<b>504,511</b>	<b>1,017,249</b>	<b>31,548</b>	<b>60,856</b>	<b>288,230</b>	<b>608,575</b>
Bahamas	1,884,952	1,479,333	1,244,243	39,216	109,264	85,394	393,364	29,601	24,904	30,924	30,290
Bermuda	1,897,988	1,605,586	1,036,728	21,358	292,068	39,495	279,993	1,947	22,016	131,795	65,412
Netherlands Antilles	1,350,109	1,007,956	310,809	9,248	245,400	430,571	341,059	—	13,803	102,811	27,972
<b>Europe, total</b>	<b>51,798,299</b>	<b>42,620,724</b>	<b>30,887,830</b>	<b>1,765,110</b>	<b>5,846,482</b>	<b>4,216,413</b>	<b>8,216,411</b>	<b>283,842</b>	<b>2,886,335</b>	<b>2,645,747</b>	<b>1,782,905</b>
Common Market countries, total	45,186,434	37,013,141	25,844,856	1,453,742	4,999,808	3,624,492	7,218,507	195,433	2,435,966	2,457,384	1,609,008
Belgium	3,686,205	3,129,027	2,551,854	84,010	203,184	267,392	549,070	52,419	346,419	116,005	10,308
Denmark	964,403	915,809	816,962	16,328	33,825	46,198	49,798	—	244,125	90,054	10,772
France (including Andorra)	4,712,553	3,975,903	2,847,986	159,197	403,742	510,897	728,268	51,308	404,125	90,054	10,772
Greece	48,400	38,775	26,825	1,240	7,707	2,555	2,665	—	1,164	154	53
Italy (including San Marino)	588,244	386,677	290,353	18,601	40,957	30,363	196,987	754	32,549	92,896	15,694
Luxembourg	2,835,282	2,560,627	1,890,071	82,637	308,151	259,630	308,151	—	14,719	1,057	1,803
Netherlands	298,598	243,666	158,439	30,199	30,199	56,792	361	36,737	144,719	119,319	451,910
Netherlands Antilles	13,880,322	10,571,223	5,882,983	513,551	2,901,239	1,155,472	3,262,471	27,942	626,713	1,872,887	635,986
United Kingdom	13,232,245	11,891,651	9,827,549	429,489	810,940	745,498	1,329,003	26,758	659,126	241,659	244,017
West Germany	6,829,757	5,605,783	4,122,510	270,348	545,656	591,889	997,596	88,409	450,254	188,394	183,793
Other West European countries, total	330,505	283,676	150,780	11,348	49,366	70,857	46,632	3,270	17,223	10,391	13,747
Austria	120,005	105,156	59,247	2,981	34,239	38,466	14,814	589	5,180	1,095	363
Finland	618,490	580,581	498,197	18,030	26,379	34,175	37,909	3,026	13,515	2,007	1,889
Liechtenstein	128,359	118,474	86,392	3,197	7,923	17,911	9,885	1,455	4,117	2,061	2,240
Norway	784,159	617,741	300,292	43,639	133,573	117,983	185,782	7,487	95,411	21,055	25,240
Portugal	804,166	696,722	491,566	27,989	38,734	50,586	107,445	10,938	39,545	36,891	10,885
Spain	3,739,856	3,121,596	2,512,091	162,048	234,374	188,316	592,952	61,644	265,072	104,036	108,237
Sweden	14,484	13,775	8,019	524	2,319	2,214	709	—	119	345	98
Switzerland	2,108	1,800	747	1,021	—	32	308	—	115	—	183
<b>Africa, total</b>	<b>1,985,182</b>	<b>1,885,812</b>	<b>572,877</b>	<b>388,538</b>	<b>556,320</b>	<b>93,288</b>	<b>298,948</b>	<b>5,890</b>	<b>64,521</b>	<b>81,336</b>	<b>128,380</b>
Egypt	62,731	46,983	35,874	649	10,161	292	5,749	664	490	2,535	263
Kenya	108,488	100,437	84,751	619	13,305	1,753	8,049	—	34,507	6,635	1,104
Liberia	909,259	733,947	300	330,504	317,634	23,476	175,412	—	—	30,857	108,394
Morocco	3,177	2,409	706	421	431	74	768	—	1,270	372	4,301
Nigeria	64,815	58,768	21,035	7,622	28,714	360	6,047	—	25,467	35,868	21,688
South Africa	705,295	614,022	342,820	26,556	171,409	63,330	90,862	—	54	599	100
Zaire	10,512	9,760	6,512	461	1,725	121	5,018	—	2,5	—	2,601
Zimbabwe	13,501	8,483	4,053	91	4,233	106	5,018	—	—	—	183
<b>Asia, total</b>	<b>11,185,551</b>	<b>10,568,115</b>	<b>7,771,891</b>	<b>508,544</b>	<b>1,193,776</b>	<b>928,831</b>	<b>566,719</b>	<b>96,193</b>	<b>117,338</b>	<b>197,094</b>	<b>128,373</b>
China	35,887	29,476	12,765	7,155	7,624	330	6,410	512	1,031	108,316	55,122
Hong Kong	1,712,401	1,504,515	985,358	24,129	197,218	200,021	201,930	9,983	19,467	108,316	263
India	23,936	21,400	13,438	1,127	5,745	253	2,536	—	1,404	894	759
Indonesia	59,317	54,501	21,782	2,980	19,995	4,373	8,817	1,022	809	568	580
Israel	72,195	66,843	15,152	3,371	4,327	4,264	5,353	—	1,541	894	3,008
Japan	1,262,026	1,214,896	1,121,778	8,975	45,492	9,058	47,014	824	34,514	1,547	1,332
Malaysia	837,051	783,031	740,308	9,187	7,268	22,053	44,019	—	3,683	22,294	5,340
Philippines	398,740	371,557	14,922	272,145	41,585	42,438	27,183	—	17,945	3,657	13,145
Saudi Arabia	2,044,343	1,626,595	26,939	265,391	45,605	38,646	1,339	—	1,651	89	729
Singapore	192,052	190,312	121,579	18,928	20,384	12,058	1,740	—	1,915	12,728	7,813
South Korea	295,350	271,593	217,919	5,833	30,650	11,240	23,765	7,719	3,795	254,501	290,688
Taiwan	978,115	896,362	875,827	9,189	32,805	15,033	37,474	23,246	1,815	254,501	290,688
Thailand	4,179,368	3,147,369	2,381,477	122,339	274,422	249,728	1,021,284	57,706	393,068	243,232	166,609
<b>Oceania, total</b>	<b>1,355,533</b>	<b>1,337,501</b>	<b>1,210,731</b>	<b>33,182</b>	<b>26,876</b>	<b>26,876</b>	<b>948,884</b>	<b>17,076</b>	<b>5,335</b>	<b>8,265</b>	<b>7,371</b>
Australia	987,940	956,706	854,681	14,844	1,104	24,072	940	—	2,420	6,827	7,371
New Zealand	372,114	300,464	253,958	7,672	17,840	85,796	18,032	603	2,420	6,827	25
<b>Puerto Rico and U.S. Possessions, total</b>	<b>1,355,533</b>	<b>1,337,501</b>	<b>1,210,731</b>	<b>33,182</b>	<b>26,876</b>	<b>26,876</b>	<b>948,884</b>	<b>17,076</b>	<b>5,335</b>	<b>8,265</b>	<b>7,371</b>
Puerto Rico	357,868	340,794	284,044	18,338	25,573	41,724	17,092	—	67	—	—
U.S. possessions, total	997,665	996,707	926,687	14,844	1,104	24,072	940	—	2,420	6,827	7,371
Virgin Islands, U.S.	985,215	984,339	944,681	14,831	755	24,072	876	—	28		

which to operate. After World War II, U.S. corporations were encouraged politically, through programs like the Marshall Plan, and economically, through various concessions by foreign countries, to expand their operations overseas. The Marshall Plan provided economic aid to countries recovering from the impact of World War II. The Plan also encouraged U.S. businesses to participate in the economic recovery of Europe. Many foreign countries, in an attempt to attract U.S. operations and dollars, offered very favorable investment climates including low taxes, ease of incorporation, and various other concessions [4].

U.S. corporations began their move overseas, usually by establishing a foreign market for exported goods and through foreign investment. Once these were established, the U.S. corporation might form a branch operation by establishing a place of business in the foreign country or by creating or purchasing a subsidiary incorporated in the foreign country.

Public Law 86-780 was enacted in 1960 to obtain information on the foreign subsidiaries of U.S. corporations. This law required a U.S. corporation to furnish, as part of its income tax return, information on any foreign corporation it directly controlled (i.e., "tier-one" subsidiaries) and on any foreign corporations controlled by these directly controlled foreign corporations (i.e., "tier-two" subsidiaries). Control was defined as direct or indirect ownership of more than 50 percent of the combined voting power of all classes of stock, or more than 50 percent of the total value of all shares of stock by a single shareholder during the foreign corporation's taxable year.

These foreign activities of U.S. corporations were precipitated by many factors. Some companies went overseas to move their operations closer to resources, others looked for cheaper labor and other costs, and many were attracted by favorable tax considerations and investment incentives. Still others moved to be closer to their market. Since the unrepatriated earnings and profits of a foreign subsidiary were not subject to U.S. income tax, where the foreign taxes were lower than U.S. taxes, this was an impelling reason for U.S. corporations to form overseas subsidiaries that enjoyed legal status as a resident corporation in the foreign country. The earnings and profits of the CFC were protected from U.S. taxation until they were repatriated in the form of dividends to the U.S. parent. U.S. taxes could be avoided by delaying a distribution until such a time as it could be offset by a parent corporation's losses or excess foreign tax credits. U.S. taxes could also be lowered on repatriated earnings, for

example, through an ordinary taxable liquidation, sale, or exchange of assets of the CFC. In this case, the U.S. parent company would pay tax at the lower capital gains rate [5].

The Revenue Act of 1962 reduced this tax deferral by requiring the current taxation of certain unrepatriated profits of a foreign subsidiary through the addition of Subpart F to the Internal Revenue Code. The types of income that were then currently taxable by the United States were referred to as "Subpart F income" and included income from the insurance of U.S. risks, "passive" types of income in general, and income derived from certain types of sales and services [6]. In addition, the 1962 legislation restricted the conversion of tax-deferred accumulated earnings and profits into capital gains, thus preventing regular income from being taxed at the lower capital gains rate.

The 1962 Act also redefined the term Controlled Foreign Corporation. In general, after the act, a foreign corporation was considered controlled if more than 50 percent of the voting stock of the foreign corporation was owned by U.S. shareholders for 30 days or more of the foreign corporation's taxable year and a U.S. shareholder was defined as a U.S. person who had at least a 10 percent interest. All such foreign corporations' undistributed earnings and profits, to the extent such earnings and profits represented Subpart F income (see the "Explanation of Selected Terms" section at the end of this article), were subject to taxation through their U.S. shareholders. The 1962 legislation also expanded the filing requirements for CFC's to include all lower-tier foreign corporations controlled, through other foreign subsidiaries, by a U.S. corporation [7].

The Tax Reduction Act of 1975 expanded the definition of Subpart F income. An exception permitting tax deferral of a portion of Subpart F income reinvested in tax-defined "less-developed countries" was repealed for CFC's with accounting periods beginning in 1976 and thereafter. Also, before the 1975 Act, income was not treated as Subpart F if it accounted for 30 percent or less of a CFC's gross income. This percentage was reduced to 10 percent, limiting the amount of income that could avoid treatment under Subpart F. Finally, some types of shipping income received by foreign subsidiaries of U.S. corporations, which were previously excluded from Subpart F income, were now included. As a result of these and other actions, the tax deferral privileges of CFC's were reduced, but not entirely eliminated.

Several amendments to the Internal Revenue Code redefined Subpart F income [8]. For a full explanation of Subpart F, see "Explanation of Selected Terms."

### CFC ACTIVITY BY COUNTRY OF INCORPORATION

For both 1984 and 1986, more than one-half of the large CFC's were incorporated in Europe and Canada [9]. The United Kingdom, West Germany and Canada were homes to almost one-third of the 7,500 CFC's. These same CFC's generated 46 percent of all business receipts, held 44 percent of assets, and paid 50 percent of foreign income taxes.

One-half of all Canadian CFC's were manufacturers and held 45 percent of assets, generated 74 percent of business receipts, and 67 percent of earnings and profits before taxes. West German CFC's tended to be manufacturers also. Manufacturing CFC's in West Germany held 56 percent of assets, and generated 73 percent of receipts and 75 percent of earnings and profits before taxes.

In the United Kingdom, percentages for manufacturing CFC's were somewhat lower than in Canada and West Germany. Manufacturing CFC's in the United Kingdom held 28 percent of assets, and earned 61 percent of receipts and 38 percent of earnings and profits before taxes.

In countries outside of Europe and Canada, where large numbers of CFC's were incorporated, manufacturing CFC's were less common. In Bermuda and the Netherlands Antilles, finance, insurance and real estate CFC's dominated. Finance-related CFC's accounted for 79 and 93 percent of all CFC's in Bermuda and the Netherlands Antilles, respectively.

In African countries there was a more even distribution of CFC's and their business activities among various industries than in other areas. Manufacturing CFC's accounted for 32 percent, transportation for 22 percent and wholesale and retail trade accounted for another 23 percent of African CFC's.

The 5,850 CFC's reporting profits paid \$19 billion of foreign income tax on \$63 billion of pre-tax earnings and profits resulting in an effective tax rate of 31 percent. The rate for a given country may have varied from the statutory tax rate because: (1) certain earnings and profits, and the associated foreign taxes paid, were applicable to income

from operations in countries other than the country in which the CFC was incorporated; (2) earnings and profits were computed according to U.S. tax law and do not necessarily equal the tax base upon which the foreign tax was imposed; (3) many countries taxed various types of income at different rates; and (4) many countries had progressive tax rates.

As shown in Figure C, Other Western Hemisphere countries had the lowest effective tax rate (8 percent) [10]. These countries had a high proportion of finance, insurance and real estate CFC's which, as an industrial group, had the lowest effective tax rate, 14 percent, for all countries. These rates are low because U.S. corporations tend to establish financial CFC's in favorable tax climates such as the Cayman Islands, Bermuda, Netherlands Antilles and others. Other countries with low effective tax rates were Saudi Arabia (1 percent), Liberia (2 percent), Ireland (4 percent), Singapore (5 percent), Panama (7 percent), and Switzerland (12 percent).

Figure C.--Effective Tax Rates of 7,500 Largest CFC's, by Country of Incorporation, 1986

[Money amounts are in millions of dollars]

Country or geographic area	Earnings and profits before taxes	Foreign income taxes	Effective tax rate
	(1)	(2)	(3)
All geographic areas.....	\$62,967	\$19,229	31%
Canada.....	9,296	3,470	37
Latin America.....	6,372	1,389	22
Brazil.....	2,911	656	29
Panama.....	1,550	105	7
Other Western Hemisphere.....	4,140	338	8
Bermuda.....	1,737	58	3
Netherlands Antilles.....	1,751	158	9
Europe.....	33,066	10,751	33
France.....	2,967	1,165	40
Ireland.....	555	24	4
Italy.....	2,942	1,055	36
Netherlands.....	2,692	435	16
Switzerland.....	2,391	281	12
United Kingdom.....	10,885	3,564	33
West Germany.....	5,851	2,647	45
Africa.....	1,394	361	26
Liberia.....	337	6	2
South Africa.....	357	96	27
Asia.....	6,331	2,245	35
Hong Kong.....	1,038	150	14
Japan.....	2,947	1,492	51
Saudi Arabia.....	19	"	1
Singapore.....	786	38	5
Oceania.....	1,856	563	30
Australia.....	1,689	498	29

\*Less than \$500,000.

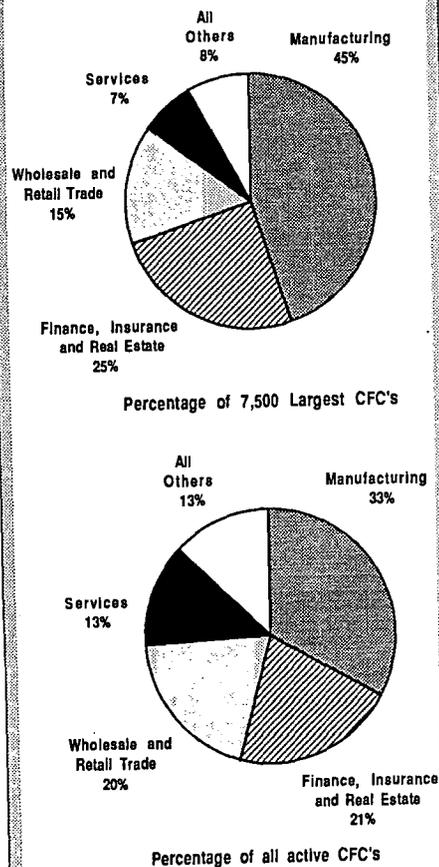
### CFC ACTIVITY BY INDUSTRY

Larger CFC's were more likely to be involved in

manufacturing or financial activities than were smaller CFC's. For 1986, 45 percent of the 7,500 CFC's reported manufacturing as their main activity and 25 percent were primarily engaged in finance, insurance or real estate activities. See Figure D.

Figure D

### Industrial Activity of All and 7,500 Largest CFC's, 1986



Since the 7,500 largest CFC's are defined based on asset size it is consistent that the majority of the CFC's are involved in business activities that historically require larger assets. Manufacturing and finance CFC's held 80 percent of all assets of the 7,500 largest CFC's in 1986 while in 1984 CFC's in these two industrial divisions held 75 percent of assets of all CFC's controlled by large U.S. multinational corporations.

Although manufacturing and finance CFC's held a majority of the 7,500 CFC's assets, they were, on average, not the most profitable CFC's. Profitability of CFC's (as measured by rate of return on assets) averaged 7.6 percent for 1986 [11]. The most profitable CFC's were involved in mining activities and had a return on assets of 13.3 percent. The least profitable CFC's were in finance, insurance and real estate with only a 2.9 percent return. These rankings are consistent with data from 1984 for all CFC's.

The rates of return on assets for large U.S. corporations varied greatly from those of large CFC's as illustrated in Figure E. Large U.S. multinational corporations that controlled the 7,500 CFC's had only a 1.7 percent combined return on assets. The most profitable U.S. corporations were those whose major business activity was agriculture, forestry and fishing, with a return on assets of 9.5 percent. CFC's involved in agriculture, forestry and fishing have become almost as profitable as their U.S. counterparts after experiencing large losses in 1982 and small profits in 1984. The large losses were incurred by Liberian CFC's operating rubber plantations to supply the motor vehicle industry. These CFC's are no longer operational or are relatively small and so are not included among the 7,500 CFC's. Thus, the CFC's in agriculture, forestry and fishing industries have become more profitable.

Asian countries appear to be profitable arenas for operation as seen in Figure F. CFC's in Japan and Singapore had an average return of 14.1 and 11.3 percent respectively. These countries have a high concentration of manufacturing CFC's which are generally more profitable than average. Certain Western Hemisphere countries, such as the Netherlands Antilles, had a lower than average rate of return due mainly to the high percentage of financial CFC's located there.

### CFC'S AND THE MERCHANDISE TRADE BALANCE

Transactions between the 7,500 CFC's and their U.S. parent groups (the U.S. corporation and its domestic

Figure E.—Relative Return on Assets of Large U.S. Multinational Corporations and Their CFC's, by Selected Industry, 1986 1/

Selected Industry	Return on assets 2/	
	U.S. corporations	CFC's
All industries 3/	1.7%	7.6%
Agriculture, forestry and fishing	9.5	8.1
Mining	-0.9	13.2
Metal mining	-0.8	8.1
Oil and gas extraction	-1.5	13.9
Construction	-0.9	8.4
Manufacturing	3.2	11.9
Food and kindred products	3.4	15.3
Apparel and other textile products	1.6	10.2
Paper and allied products	5.0	11.4
Printing and publishing	11.2	13.6
Chemicals and allied products	6.5	13.5
Petroleum (including integrated) and coal products	2.3	13.5
Rubber and miscellaneous plastic products	3.2	7.9
Stone, clay and glass products	6.6	11.5
Primary metal industries	0.3	-2.6
Fabricated metal products	2.9	9.9
Machinery, except electrical	4.1	16.7
Electrical and electronic equipment	3.1	10.1
Motor vehicles and equipment	1.5	6.3
Instruments and related products	0.8	9.4
Transportation and public utilities	1.5	6.1
Water transportation	-8.0	3.1
Wholesale and retail trade	2.4	11.4
Finance, insurance and real estate	0.7	2.9
Banking	0.4	1.3
Credit agencies other than banks	0.5	2.2
Insurance	1.4	3.7
Real estate	1.8	2.7
Holding and other investment companies except bank holding companies	-0.4	5.6
Services	1.8	6.6

1/ U.S. parent corporations and CFC's were separately classified by the industry that generated the greatest portion of their total receipts.

2/ The CFC return on assets is the ratio of pre-tax earnings and profits to total assets. The U.S. return on assets is the ratio of net income (less deficit) before tax to total assets. See also footnote 11 at the end of this article.

3/ Includes CFC's whose nature of business was not allocable by industry.

affiliates) resulted in a net surplus of \$14 billion for 1986, as shown in Figure G. CFC purchases of stock in trade (i.e., purchases of merchandise in the ordinary course of business) totalled \$61 billion while sales of stock in trade to the U.S. parent groups was \$47 billion. In contrast, the U.S. merchandise trade deficit (imports in excess of exports) was \$153 billion [12].

As the U.S. merchandise trade deficit with Japan grew to \$55 billion, U.S. parent groups still reported a \$1 billion trade surplus with their large Japanese CFC's. Large trade surpluses were reported by U.S. parent groups and their CFC's in Europe while large deficits between U.S. parent groups and their CFC's were reported with Other Western Hemisphere nations, namely Bermuda. The U.S. parent groups trade with their CFC's in this latter region

Figure F.—Relative Return on Assets of 7,500 Largest CFC's, by Selected Country of Incorporation, 1986

Selected country of incorporation	Return on assets 1/
U.S. corporations	1.7%
7,500 largest CFC's	7.6
Canada	7.8
Latin America	8.2
Brazil	12.5
Mexico	2.5
Panama	6.8
Other Western Hemisphere	4.0
Bahamas	5.7
Bermuda	5.5
Netherlands Antilles	3.0
Europe	7.9
France	6.7
Italy	9.1
Netherlands	8.6
Switzerland	8.0
United Kingdom	6.7
West Germany	8.5
Africa	8.6
South Africa	10.1
Asia	11.1
Hong Kong	5.7
Japan	14.1
Singapore	11.3
Oceania	5.8
Australia	5.7

1/ The CFC return on assets is the ratio of pre-tax earnings and profits to total assets. The U.S. return on assets is the ratio of net income (less deficit) before tax to total assets. See also footnote 11 at the end of this article.

resulted in a \$1.4 billion deficit. This deficit can be attributed to transactions with finance-related CFC's based in tax-haven countries. These nations are attractive conduits for the flow of capital from a third country into the United States because of low tax withholding rates on payments to foreign persons and low effective income tax rates on foreign entities operating within the countries.

Differences in the preparation of the statistics in Figure G should be recognized. The U.S. Bureau of the Census data credit U.S. imports to the country of origin while CFC sales are based on the CFC's country of incorporation. This could explain why Panamanian CFC's for example, reported \$651 million in sales to U.S. parent groups and only \$366 million is reflected in Census data for imports from Panama. In this instance, perhaps a shipping company incorporated in Panama carried cargo from a third country into the United States. CFC data would credit the sales to Panama while the Census data would report them under the country of origin. Also, Census data are for the Calendar Year 1986; CFC data, on the other hand, reflect business activities for parent corporations whose accounting periods ended between July 1986 and June 1987 and those CFC's which had accounting periods ending therein. However, most CFC activity did occur in 1986.

Figure G.--Purchases and Sales of Stock in Trade Between 7,500 Largest CFC's and Their Parent Groups and the U.S. Merchandise Trade Balance, by Selected Area and Country of Incorporation, 1986

[Money amounts are in millions of dollars]

Country or geographic area	U.S. parent group merchandise trade balance			U.S. merchandise trade balance 1/		
	CFC purchases from U.S. parent group (exports)	CFC sales to U.S. parent group (imports)	Surplus or deficit	Exports	Imports	Surplus or deficit
	(1)	(2)	(3)	(4)	(5)	(6)
All geographic areas.....	\$60,644	\$46,750	\$13,894	\$217,304	\$369,961	-\$152,657
Canada.....	22,731	23,666	-935	45,333	68,253	-22,920
Latin America.....	4,953	3,042	1,911	27,968	39,541	-11,573
Brazil.....	677	785	-108	3,885	6,813	-2,928
Mexico.....	3,124	1,038	2,086	12,392	17,302	-4,910
Panama.....	356	651	-295	711	366	345
Other Western Hemisphere.....	1,544	2,960	-1,416	3,110	2,408	702
Bahamas.....	563	173	390	761	442	319
Bermuda.....	986	2,656	-1,671	236	471	230
Netherlands Antilles.....	13	128	-115	398	471	-73
Europe.....	22,189	8,489	13,720	63,631	91,826	-28,195
France.....	2,377	984	1,393	7,216	10,129	-2,913
Italy.....	1,894	434	1,460	4,838	10,607	-5,769
Netherlands.....	1,847	407	1,440	7,848	4,066	3,782
Switzerland.....	2,594	652	1,932	2,977	5,253	-2,276
United Kingdom.....	4,389	3,771	618	11,418	15,326	-3,978
West Germany.....	6,333	955	5,378	10,561	25,124	-14,563
Africa.....	258	630	-372	5,978	10,348	-4,370
Liberia.....	4	373	-369	65	82	-17
South Africa.....	192	16	176	1,159	2,365	-1,206
Asia.....	6,666	6,169	497	64,532	153,869	-89,337
Hong Kong.....	1,201	600	3,030	601	5,861	-5,861
Japan.....	2,293	1,097	1,196	26,882	61,911	-55,029
South Korea.....	168	220	-52	6,355	12,729	-6,374
Taiwan.....	685	685	-400	5,524	19,791	-14,267
Oceania.....	1,529	153	1,376	6,659	3,717	2,942
Australia.....	1,249	133	1,116	5,551	2,632	2,919

1/ U.S. Department of Commerce, Bureau of the Census, Highlights of U.S. Export and Import Trade, FT 990 monthly.

## RECENT CFC INCORPORATIONS

Almost one-third of the 7,500 CFC's were incorporated during the period from 1977 to 1987. See Figures H and I. These newest CFC's held 27 percent of all assets. Of these newer CFC's, 40 percent were in finance, insurance and real estate and these held 62 percent of the total assets of the newer CFC's. Almost 50 percent of all financial CFC's were incorporated after 1976, indicating an increasingly global economy where financing is sought world-wide. U.S. parent corporations expanded overseas to take advantage of foreign monies available for investment.

In the past, it was common for U.S. companies to set up financial subsidiaries in tax-haven countries in order to facilitate borrowing from foreign countries. Companies were set up to take advantage of a favorable tax climate in the haven country that may include secrecy, low or zero corporate tax rates, and no withholding tax on payments to foreigners. In an effort to increase direct foreign investment in the United States and to remove the advantage of borrowing through tax-haven countries, the United States

Figure H.--Number and Total Assets of 7,500 Largest CFC's, by Year of Incorporation, 1986

[Money amounts are in millions of dollars]

Year of Incorporation	Number of CFC's	1986 Total assets
All years 1/.....	7,500	\$740,396
1987.....	8	366
1986.....	601	13,862
1985.....	254	16,774
1984.....	223	18,265
1983.....	235	20,853
1982.....	243	30,261
1981.....	242	24,850
1980.....	254	18,976
1979.....	249	23,379
1978.....	205	14,028
1977.....	167	14,968
Pre-1977.....	5,061	533,290

1/ Includes CFC's whose year of incorporation is unknown or not stated.

exempted from withholding tax all interest payments on issues made after July 1984. This enabled U.S. corporations to more cheaply borrow foreign money from anywhere in the world [13].

The effects of these changes are seen in the slowdown of incorporations in the Netherlands Antilles. Finance

Figure I.--7,500 Largest CFC's: All Compared to Those Incorporated After 1976, by Selected Industry, 1986

[Money amounts are in millions of dollars]

Selected CFC Industry	All CFC's		CFC's incorporated after 1976		Percentage of all CFC's	
	Number	Total assets	Number	Total assets	Number	Total assets
	(1)	(2)	(3)	(4)	(5)	(6)
All industries 1/.....	7,500	\$740,396	2,271	\$196,619	30%	27%
Agriculture, forestry, and fishing.....	25	597	6	188	24	31
Mining.....	217	27,005	81	9,919	37	37
Construction.....	95	3,903	24	650	25	17
Manufacturing.....	3,341	270,162	716	41,219	21	15
Transportation and public utilities.....	226	17,155	82	5,313	36	31
Wholesale and retail trade.....	1,156	76,134	262	9,254	23	12
Finance, insurance, and real estate.....	1,911	322,820	909	122,457	48	38
Services.....	519	22,386	190	7,755	37	35

1/ Includes CFC's whose nature of business was not allocable by industry.

insurance and real estate companies account for 93 percent of all Antillean CFC's. As shown in Figure J, 80 percent of Antillean CFC's were incorporated after 1976. However, 88 percent of these were incorporated between 1977 and 1983. There has been a sharp decrease in incorporations in the Netherlands Antilles since that time. This number may decrease even further due to the cancellation of the United States-Netherlands Antilles tax treaty in 1988 [14].

## SUMMARY

Large CFC's were incorporated mainly in Canada and

Europe and almost one-half of these large CFC's were manufacturing CFC's. In 1986, CFC's tended to be more profitable (based on return on assets) than their U.S. parent corporations. The CFC return on assets was 7.6 percent compared to a 1.7 rate for their parent corporations.

The 7,500 largest CFC's reported a surplus in trade with their U.S. parent groups of \$14 billion.

Almost one-third of the 7,500 largest CFC's were incorporated between 1977 and 1987, 40 percent of them in finance related industries.

Figure J.--7,500 Largest CFC's: All Compared to Those Incorporated After 1976, by Selected Country of Incorporation, 1986

[Money amounts are in millions of dollars]

Selected country of incorporation	All CFC's		CFC's incorporated after 1976		Percentage of all CFC's	
	Number	Total assets	Number	Total assets	Number	Total assets
	(1)	(2)	(3)	(4)	(5)	(6)
All countries.....	7,500	\$740,396	2,271	\$196,619	30%	27%
United Kingdom.....	1,058	146,805	335	37,540	32	26
Canada.....	840	112,057	281	28,737	33	26
West Germany.....	512	64,479	106	5,482	21	9
France.....	447	30,325	81	4,033	18	13
Netherlands.....	338	28,515	111	8,260	33	29
Italy.....	332	31,187	91	5,073	27	16
Australia.....	321	24,645	64	4,301	20	17
Bermuda.....	311	25,680	147	8,062	47	31
Brazil.....	279	19,104	69	3,307	25	17
Netherlands Antilles.....	250	51,886	199	40,622	80	78
Switzerland.....	225	29,238	56	5,690	26	19
Belgium.....	205	17,675	54	3,936	26	22
Japan.....	195	19,762	69	4,202	35	21
Spain.....	177	12,636	44	2,776	25	12
Panama.....	156	20,881	44	757	28	31
Mexico.....	150	6,229	31	1,122	21	13
Hong Kong.....	145	16,135	58	5,319	40	33
Liberia.....	89	6,815	34	942	38	14
South Africa.....	88	2,882	7	164	8	6
Ireland.....	81	4,390	35	2,164	43	50

## DATA SOURCES AND LIMITATIONS

The statistics in this article were derived from all U.S. corporation income tax returns with total assets of \$500 million or more and with accounting periods ended July 1986 through June 1987, and from attached Form(s) 5471 (Information Return with Respect to a Foreign Corporation).

The 7,500 largest CFC's were chosen based on size of assets. Historical data show that these largest CFC's represent over 90 percent of all financial information for all CFC's. However, caution should be used in comparing these statistics to past years' statistics since no small or inactive CFC's were included as in the past.

Also, large CFC's tend to be manufacturing and finance-related CFC's. Therefore, the 7,500 largest CFC's show a bias towards these industrial divisions when compared to all CFC's. These statistics based on the largest 7,500 CFC's are not perfectly representative of the entire population of CFC's and therefore, should be used with caution when making comparison with or estimates of the larger group.

Not all of the information regarding CFC transactions (e.g., transactions with unrelated parties) is available from Statistics of Income data. However, total business receipts, earnings and profits, foreign taxes and transactions between CFC's and related parties (U.S. parent corporations and their domestic and foreign subsidiaries) are reported as part of the parent corporation's U.S. income tax return and included in this article.

U.S. parent corporations were classified by the principal business activity reported on the corporation income tax return. Many returns were filed by diversified corporations, and therefore included significant receipts, profits, and other items related to activities other than the principal business activity.

Controlled Foreign Corporations were also classified by their principal business activity as reported on Form 5471. As such, certain receipts, profits, and transaction items may have been related to secondary business activities. It is not possible to measure the extent of these secondary operations.

When U.S. corporations filed consolidated Forms 5471 with aggregated data for several foreign companies, follow-up requests were made in cases where large money

amounts were reported in an attempt to obtain the CFC information on a disaggregated basis. More than 75 percent of these requests were successful. Where no information was received, the data were left consolidated under the industry and country in which it was originally reported. Less than one percent of the CFC's included in the file contain financial information for a consolidated group of CFC's.

The 1986 data are based on returns filed by U.S. corporations with \$500 million or more in total assets and with full-year accounting periods ending between July 1986 and June 1987. Generally, part-year returns were deleted from the sample to avoid double counting of financial data. According to IRS regulations, a U.S. corporation had to submit a Form 5471 for any Controlled Foreign Corporation with an accounting period ending with or within the U.S. parent's accounting period. Therefore, CFC accounting periods may have ended as early as August 1985 (and, thus, began in September 1984) or as late as June 1987. However, most CFC activity did occur in Calendar Year 1986.

## EXPLANATION OF SELECTED TERMS

**Business Receipts of Controlled Foreign Corporations.**—Business receipts were, in general, gross receipts or gross sales less returns and allowances reported for CFC's on Forms 5471. In the finance, insurance, and real estate industries, business receipts were generally the total income or receipts of the CFC and may have included other types of income such as interest, rents, royalties and other investment income. This definition differs from that used for the business receipts statistics for domestic corporations which generally excludes investment income.

**Current Earnings and Profits of Controlled Foreign Corporations.**—This item represents the difference between the beginning and ending year balances of accumulated earnings and profits available for distribution to the stockholders. In this report, pre-tax current earnings and profits are shown. For Form 5471 purposes, the earnings and profits reported for a foreign corporation had to be calculated under U.S. accounting standards, as required by Internal Revenue regulations.

**Distributions of Controlled Foreign Corporations.**—The distributions of CFC's consisted mostly of dividends, capital gain distributions, and distributions paid out of capital (including capital stock, paid-in capital, and capital

surplus) were generally not included. However, liquidating dividends may have been included in some instances.

**Foreign Income Taxes Paid by Controlled Foreign Corporations.**—These were foreign income, war profits, and excess profits taxes paid or accrued by CFC's to foreign countries or U.S. possessions (including Puerto Rico). Also included were taxes imposed by other countries (including the United States) in cases in which the CFC had business operations in countries other than the one in which it was incorporated.

**Related Persons of Controlled Foreign Corporations.**—Five categories of related persons of CFC's were shown on Schedule M of Forms 5471 for the purpose of reporting related party transactions. They were the U.S. corporation filing the return, a domestic corporation controlled by the U.S. corporation filing the return, a foreign corporation controlled by the U.S. corporation filing the return, a 10-percent-or-more U.S. shareholder of the CFC (other than the controlling shareholder), and a 10-percent-or-more U.S. shareholder of the U.S. corporation filing the return.

**Sales (and Purchases) of Stock in Trade.**—These were sales (and purchases) of merchandise in the ordinary course of trade or business.

**Subpart F Income.**—Subpart F provisions of the Internal Revenue Service Code (section 952) allowed the United States to tax U.S. shareholders on certain types of CFC income that, although undistributed to them, were deemed to have been distributed and were thereby taxable currently, generally at the same rate(s) as dividends. Subpart F income included the following for 1986: income derived from the insurance of U.S. risks; international boycott participation income; illegal bribes, kickbacks, or other payments to a government official; and "foreign base company income" (i.e., income from a foreign personal holding company and certain types of sales, service, shipping and oil-related income from a foreign base company). Also includable as income from CFC's were amounts of previously excluded Subpart F income meeting certain criteria, and increases in foreign corporations' earnings invested in U.S. property.

**Transactions of Controlled Foreign Corporations.**—Controlled Foreign Corporation transactions were reported on Forms 5471 for five categories of related persons (described previously under "Related Persons of Controlled Foreign Corporations") which dealt with the CFC's.

The transactions shown include receipts and payments for such items as stock in trade, dividends, rents and royalties, commissions, services rendered, interest, insurance premiums, and property rights.

**U.S. Affiliated Groups.**—The U.S. parent corporation and all of its wholly-owned domestic subsidiaries included in the filing of a consolidated U.S. income tax return (Form 1120).

## NOTES AND REFERENCES

- [1] U.S. giant corporations are those with \$500 million or more in assets. Only foreign corporations controlled by these "giant" corporations were included in this study. Subsequent use of the terms "large U.S. multinationals" or "U.S. giant corporations" refers to this group of corporations. Historically, more than two-thirds of all U.S.-controlled foreign corporations have been controlled by U.S. giant corporations. More significantly, both the assets and business receipts of CFC's controlled by these large U.S. corporations have accounted for more than 90 percent of the total assets and business receipts of all CFC's. See statistics on Controlled Foreign Corporations for 1980 in the *Statistics of Income Bulletin*, Summer 1984, Volume 3, Number 4.
- [2] In an effort to gather more accurate and timely data, the scope of the Foreign Corporation Information Return (Form 5471) study was reduced to a full data edit of only the 7,500 largest active CFC's (as determined by asset size) controlled by U.S. corporations with \$500 million or more in assets. [A limited number of data items from all other Forms 5471 filed by these giant corporations were edited but are not used here unless indicated.]
- [3] Heller, Kenneth, *The Impact of U.S. Taxation on the Financing and Earnings Remittance Decisions of U.S.-based Multinational Firms with Controlled Foreign Corporations*, Arno Press, 1980, pp. 2-3.
- [4] Heller, *Op. cit.*, pp. 3-4.
- [5] Heller, *Op. cit.*, pp. 95-97.
- [6] Passive types of income include such receipts as interest, dividends and certain types of rents and royalties.

[7] Control by a U.S. corporation was extended to lower-tier foreign corporations through a chain of control. Thus, a U.S. corporation could own more than 50 percent of a foreign corporation (first-tier) which, in turn, could own more than 50 percent of a second-tier foreign corporation, which, in turn, could own more than 50 percent of a third-tier foreign corporation, and so forth. A Form 5471 had to be filed for each of these foreign corporations.

[8] More recently, the Tax Reform Act of 1986 made several changes to the way Subpart F income is computed including, new rules for the de minimus inclusion of Subpart F income, a new definition of controlled foreign corporation and limitations on Subpart F income. Generally, these changes apply to taxable years of foreign corporations beginning after December 31, 1986.

[9] Statistics of Income studies on Controlled Foreign Corporations are done only every other year.

[10] For Statistics of Income purposes, countries that fall under the Other Western Hemisphere category include the Bahamas, Bermuda, Netherlands Antilles, Leeward Islands, Windward Islands, Antigua, Barbuda, French West Indies, Falkland Islands and Greenland.

[11] For purposes of this analysis, a CFC's return on assets is defined as the ratio of earnings and profits before taxes to total assets. Net income (before taxes), i.e., net income computed under provisions of the Internal Revenue Code, is used in place of

earnings and profits for purposes of computing the U.S. parent corporations' return on assets because earnings and profits, as such, is not reported by the parent. To the extent that the concept of earnings and profits differs from that of net income, the comparison of a CFC's return on assets to the U.S. parent corporation's return on assets is inaccurate. The rate of return on assets of any group, i.e. parent corporations, CFC's, industrial division, or country, is determined using the total income and total assets of the group rather than averaging the returns of each component.

[12] U.S. Department of Commerce, Bureau of the Census, *Highlights of U.S. Export and Import Trade*, FT 990, monthly. Data from this source are based on the 1986 calendar year, while CFC data are based on accounting periods of U.S. parent corporations ended July 1986 through June 1987 and accounting periods of CFC's ending with, or within, the U.S. parent corporation's accounting period.

[13] For a more detailed explanation of this tax law change and its effects, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, and Tax Withheld, 1986," *Statistics of Income Bulletin*, Winter 1988-89, Volume 8, Number 3.

[14] For more recent data on payments to the Netherlands Antilles, see Bradford, John J., "Foreign Recipients of U.S. Income, 1988," *Statistics of Income Bulletin*, Winter 1990-1991, Volume 10, Number 3, p. 23.

Table 1.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations								Subpart F income
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All industries (U.S. parent).....</b>	<b>714</b>	<b>7,500</b>	<b>740,395,679</b>	<b>589,884,940</b>	<b>56,590,619</b>	<b>62,966,595</b>	<b>19,229,025</b>	<b>19,034,715</b>	<b>21,730,762</b>	<b>4,223,316</b>
<b>Industry of</b>										
<b>Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	11	25	557,029	560,406	48,313	59,979	15,805	15,029	16,250	15,500
Mining.....	76	217	27,005,021	14,791,221	3,558,046	4,257,223	2,062,963	2,011,736	1,879,584	141,476
Construction.....	24	95	3,903,366	4,398,397	327,143	422,999	122,354	117,962	229,429	56,427
Manufacturing.....	389	3,341	270,161,948	357,502,549	32,025,748	35,123,768	12,197,983	12,094,770	10,766,142	1,018,525
Transportation and public utilities.....	77	226	17,155,030	7,098,494	1,049,350	1,346,130	259,119	259,133	511,034	141,716
Wholesale and retail trade.....	230	1,136	76,133,502	151,984,251	8,642,700	9,308,210	2,692,528	2,705,759	3,970,485	391,681
Finance, insurance and real estate.....	452	1,911	322,820,276	41,286,203	9,455,673	10,595,976	1,462,304	1,427,045	3,820,279	2,321,621
Services.....	165	519	22,366,413	12,217,752	1,478,715	1,849,198	410,941	398,413	535,745	134,360
<b>Mining (U.S. parent).....</b>	<b>26</b>	<b>118</b>	<b>6,545,122</b>	<b>3,472,424</b>	<b>850,714</b>	<b>1,036,677</b>	<b>500,499</b>	<b>483,043</b>	<b>553,954</b>	<b>107,026</b>
<b>Industry of</b>										
<b>Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	21	58	3,995,367	2,294,040	772,292	899,969	476,229	467,178	404,421	74,480
Construction.....	--	--	--	--	--	--	--	--	--	--
Manufacturing.....	5	15	432,325	473,084	42,632	47,247	15,788	15,699	13,538	--
Transportation and public utilities.....	4	8	308,180	175,239	15,607	17,869	440	440	--	1,540
Wholesale and retail trade.....	--	--	--	--	--	--	--	--	--	--
Finance, insurance and real estate.....	10	20	1,209,138	110,790	51,688	54,069	2,669	2,821	8,995	30,391
Services.....	--	--	--	--	--	--	--	--	--	--
<b>Oil and gas extraction (U.S. parent).....</b>	<b>17</b>	<b>87</b>	<b>5,213,453</b>	<b>2,909,700</b>	<b>769,976</b>	<b>933,851</b>	<b>487,356</b>	<b>471,253</b>	<b>530,984</b>	<b>75,221</b>
<b>Industry of</b>										
<b>Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	16	51	3,424,663	2,206,330	746,761	859,560	475,747	465,260	395,988	56,688
Construction.....	--	--	--	--	--	--	--	--	--	--
Manufacturing.....	--	--	--	--	--	--	--	--	--	--
Transportation and public utilities.....	--	--	--	--	--	--	--	--	--	--
Wholesale and retail trade.....	--	--	--	--	--	--	--	--	--	--
Finance, insurance and real estate.....	6	14	984,542	78,829	35,989	37,983	2,530	2,682	3,943	17,918
Services.....	--	--	--	--	--	--	--	--	--	--
<b>Construction (U.S. parent).....</b>	<b>11</b>	<b>61</b>	<b>2,714,072</b>	<b>2,166,376</b>	<b>181,484</b>	<b>219,067</b>	<b>50,275</b>	<b>38,800</b>	<b>91,461</b>	<b>28,163</b>
<b>Industry of</b>										
<b>Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	7	19	570,676	579,461	28,423	45,318	18,253	21,762	27,956	5,420
Manufacturing.....	--	--	--	--	--	--	--	--	--	--
Transportation and public utilities.....	--	--	--	--	--	--	--	--	--	--
Wholesale and retail trade.....	--	--	--	--	--	--	--	--	--	--
Finance, insurance and real estate.....	5	13	676,949	123,025	59,557	63,041	13,364	13,364	18,210	15,476
Services.....	4	11	688,767	824,333	52,545	52,545	8,594	8,594	11,001	3,190
<b>Manufacturing (U.S. parent).....</b>	<b>391</b>	<b>5,519</b>	<b>480,905,679</b>	<b>498,581,337</b>	<b>48,577,456</b>	<b>53,532,633</b>	<b>16,916,946</b>	<b>16,776,485</b>	<b>19,419,131</b>	<b>3,254,710</b>
<b>Industry of</b>										
<b>Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	7	17	369,629	440,656	15,467	26,973	7,020	6,244	16,250	15,500
Mining.....	37	124	20,389,502	11,123,683	2,648,111	3,168,866	1,552,183	1,509,369	1,458,275	45,677
Construction.....	10	50	2,544,413	3,289,899	323,429	352,166	103,131	100,653	55,270	37,597
Manufacturing.....	351	3,169	262,466,299	348,007,492	31,806,358	34,572,839	12,058,701	11,970,809	10,647,148	1,016,332
Transportation and public utilities.....	37	97	9,919,425	4,691,673	605,023	831,756	107,139	106,599	369,792	138,842
Wholesale and retail trade.....	174	965	58,528,003	109,757,662	7,355,777	7,876,675	2,338,510	2,352,728	3,594,360	339,992
Finance, insurance and real estate.....	236	856	113,509,209	14,244,918	5,222,706	5,680,065	554,844	546,253	2,926,001	1,542,029
Services.....	86	236	13,058,795	6,800,764	797,946	1,020,419	190,389	178,803	340,222	118,742

Footnotes at end of table.

Table 1.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Controlled Foreign Corporation--Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Manufacturing--Continued</b>										
Food and kindred products (U.S. parent).....	28	465	27,896,849	30,572,937	3,158,393	3,348,388	1,026,919	1,012,356	1,157,341	169,057
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	3	7	149,359	291,008	9,732	12,465	3,836	3,553	16,250	15,500
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	27	286	15,371,689	23,781,245	2,431,099	2,533,230	865,191	851,260	905,771	85,820
Manufacturing.....	27	286	15,371,689	23,781,245	2,431,099	2,533,230	865,191	851,260	905,771	85,820
Transportation and public utilities.....	15	65	2,840,980	5,056,920	269,521	308,526	89,269	88,053	89,127	29,914
Wholesale and retail trade.....	22	81	8,483,886	9,17,401	380,220	421,621	45,368	46,035	106,854	33,556
Finance, insurance and real estate.....	5	21	834,575	441,359	56,270	58,914	18,448	18,448	33,738	4,166
Services.....	5	21	834,575	441,359	56,270	58,914	18,448	18,448	33,738	4,166
Chemicals and allied products (U.S. parent).....	66	1,219	63,333,756	69,913,550	8,981,140	9,630,212	2,947,215	2,946,716	3,567,805	685,057
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	7	12	2,086,685	1,176,645	443,483	493,859	351,202	347,962	369,594	926
Construction.....	64	841	48,297,090	54,200,522	6,485,207	6,965,378	2,233,424	2,239,478	1,881,514	324,118
Manufacturing.....	6	10	879,988	490,745	82,247	89,886	28,206	27,847	46,138	7,855
Transportation and public utilities.....	39	191	6,556,373	11,812,590	829,167	867,749	229,157	235,018	394,793	119,726
Wholesale and retail trade.....	38	139	24,059,322	2,015,133	1,044,128	1,106,347	80,762	79,526	835,042	389,490
Finance, insurance and real estate.....	12	17	1,207,122	99,514	93,665	94,978	19,741	12,753	40,723	41,972
Services.....	12	17	1,207,122	99,514	93,665	94,978	19,741	12,753	40,723	41,972
Petroleum (including integrated) and coal products (U.S. parent).....	24	478	104,965,557	122,047,928	12,336,432	13,365,794	4,308,326	4,239,572	5,971,961	1,086,261
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	17	72	17,523,428	9,401,919	2,183,004	2,607,914	1,166,552	1,149,632	944,407	32,936
Construction.....	17	112	30,370,167	46,702,102	3,847,719	4,037,572	1,595,488	1,555,672	1,538,129	322,336
Manufacturing.....	11	46	7,303,645	3,124,837	402,272	582,414	14,338	62,751	290,423	121,869
Transportation and public utilities.....	16	156	27,040,733	59,175,726	4,488,061	4,596,797	1,434,391	1,442,955	2,525,731	110,613
Wholesale and retail trade.....	22	82	20,334,627	2,597,028	1,215,403	1,339,605	37,498	36,703	600,885	477,686
Finance, insurance and real estate.....	4	7	1,970,722	61,912	142,708	144,327	-22,775	-22,775	60,506	508
Services.....	4	7	1,970,722	61,912	142,708	144,327	-22,775	-22,775	60,506	508
Primary metal industries (U.S. parent).....	23	208	11,490,847	11,366,312	391,450	821,587	168,758	172,463	190,393	100,219
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	3	4	52,747	31,590	4,834	6,792	13	13	--	--
Construction.....	20	100	5,852,812	9,420,450	96,020	493,154	134,999	135,316	69,904	8,300
Manufacturing.....	6	10	290,856	74,888	9,366	11,579	316	384	--	4,387
Transportation and public utilities.....	5	11	274,190	454,965	44,166	46,470	1,900	1,927	110,680	72,579
Wholesale and retail trade.....	16	63	4,333,010	781,131	192,470	216,930	16,100	19,729	9,810	4,568
Finance, insurance and real estate.....	4	20	687,232	603,289	44,594	46,661	15,431	15,095	--	--
Services.....	4	20	687,232	603,289	44,594	46,661	15,431	15,095	--	--
Machinery, except electrical (U.S. parent).....	45	725	69,531,377	58,664,442	8,821,770	9,825,964	3,600,264	3,523,516	3,747,000	198,833
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	42	376	47,609,508	45,493,415	7,754,492	8,255,465	3,346,854	3,275,458	2,815,926	22,001
Manufacturing.....	42	376	47,609,508	45,493,415	7,754,492	8,255,465	3,346,854	3,275,458	2,815,926	22,001
Transportation and public utilities.....	23	163	8,424,155	10,238,063	530,537	647,131	120,968	126,299	274,264	33,069
Wholesale and retail trade.....	29	113	9,291,507	1,082,990	402,038	513,808	61,528	52,160	453,691	18,132
Finance, insurance and real estate.....	17	46	3,694,587	1,499,626	127,346	171,544	59,135	60,297	21,100	--
Services.....	17	46	3,694,587	1,499,626	127,346	171,544	59,135	60,297	21,100	--

Footnotes at end of table.

Table 1.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Controlled Foreign Corporation--Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Manufacturing--Continued</b>										
Electrical and electronic equipment (U.S. parent).....	44	713	48,874,023	46,842,782	4,112,571	4,713,012	1,037,296	1,023,698	1,143,683	269,031
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	3	7	193,144	134,277	13,506	25,533	2,106	1,880	7,500	10,323
Construction.....	27	286	15,371,689	23,781,245	2,431,099	2,533,230	865,191	851,260	905,771	85,820
Manufacturing.....	39	429	27,664,379	37,581,686	2,931,711	3,355,268	842,697	833,989	665,453	81,623
Transportation and public utilities.....	23	89	2,352,517	4,363,693	167,995	216,588	67,967	66,166	47,001	2,409
Wholesale and retail trade.....	22	81	8,483,886	9,17,401	380,220	421,621	45,368	46,035	106,854	33,556
Finance, insurance and real estate.....	19	129	16,016,994	2,552,607	768,434	801,994	75,740	73,440	361,845	149,737
Services.....	10	40	1,140,301	858,407	106,460	138,768	26,987	26,739	30,418	14,844
Motor vehicles and equipment (U.S. parent).....	14	268	63,075,879	81,901,610	3,279,031	3,854,559	1,294,430	1,364,034	1,437,032	186,616
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	14	132	40,121,793	73,242,296	2,553,259	2,992,605	1,072,720	1,141,336	1,336,236	17,118
Manufacturing.....	3	5	117,686	35,231	4,643	6,603	1,803	1,803	158	--
Transportation and public utilities.....	6	42	2,187,567	5,398,349	142,911	169,386	48,325	50,776	39,266	--
Wholesale and retail trade.....	10	72	19,370,502	2,821,007	572,617	604,092	149,220	147,756	55,877	150,708
Finance, insurance and real estate.....	--	--	--	--	--	--	--	--	--	--
Services.....	--	--	--	--	--	--	--	--	--	--
Instruments and related products (U.S. parent).....	15	259	14,311,977	17,838,795	1,727,606	1,815,486	552,105	552,305	145,103	77,587
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	14	143	9,350,595	10,638,086	1,322,638	1,353,246	413,821	416,245	75,829	37,094
Manufacturing.....	6	85	3,553,918	6,262,121	344,118	377,113	129,823	131,856	49,503	27,216
Transportation and public utilities.....	7	16	866,537	84,555	65,780	68,257	1,554	866	11,169	12,305
Wholesale and retail trade.....	--	--	--	--	--	--	--	--	--	--
Finance, insurance and real estate.....	--	--	--	--	--	--	--	--	--	--
Services.....	--	--	--	--	--	--	--	--	--	--
Transportation and public utilities (U.S. parent).....	66	381	24,873,374	9,964,847	1,110,436	1,398,410	301,793	305,100	421,004	248,194
<b>Industry of Controlled Foreign Corporations</b>										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	12	21	2,089,274	478,820	104,087	145,803	22,494	25,833	2,688	21,319
Construction.....	21	21	2,089,274	478,820	104,087	145,803	22,494	25,833	2,688	21,319
Manufacturing.....	12	78	4,130,312	4,353,876	149,279	227,161	45,774	44,971	72,573	1,992
Transportation and public utilities.....	24	89	5,700,450	1,032,672	372,568	431,747	140,360	140,914	139,948	493
Wholesale and retail trade.....	7	37	973,878	1,987,814	138,006	144,389	47,870	48,220	47,180	4,385
Finance, insurance and real estate.....	42	98	9,984,642	999,082	327,542	379,202	26,355	26,071	154,178	213,562
Services.....	18	48	1,714,007	919,208	22,127	66,752	18,934	19,010		

Table 1.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Controlled Foreign Corporation--Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected industry of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income
						Current earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Wholesale and retail trade (U.S. parent).....	61	333	38,306,449	46,138,962	1,669,317	1,949,026	435,009	426,655	468,011	170,747
Industry of Controlled Foreign Corporations										
Agriculture, forestry and fishing.....	**	**	**	**	**	**	**	**	**	**
Mining.....	**	**	**	**	**	**	**	**	**	**
Construction.....	13	46	1,970,944	3,361,062	101,528	125,462	46,651	46,841	15,779	
Manufacturing.....	5	10	327,083	796,755	272	7,183	3,008			
Transportation and public utilities.....	38	139	15,774,837	38,179,278	1,055,071	1,165,398	273,422	271,885	324,220	42,804
Wholesale and retail trade.....	27	96	19,151,023	23,381,394	431,139	525,975	80,095	73,405	138,259	126,063
Finance, insurance and real estate.....	12	32	844,683	613,362	79,432	89,211	27,256	27,139	10,754	1,857
Services.....										
Finance, insurance and real estate (U.S. parent).....	119	671	179,847,139	25,555,032	3,603,201	4,142,392	866,010	843,291	578,365	362,347
Industry of Controlled Foreign Corporations										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	3	12	444,581	454,198	111,745	115,193	22,030	22,035	--	111
Manufacturing.....	3	3	86,607	2,104	991	1,016	-37	-37	--	
Transportation and public utilities.....	4	5	411,264	1,613,114	59,270	62,437	23,966	23,966	--	
Wholesale and retail trade.....	118	603	176,735,216	23,122,799	3,325,115	3,839,553	777,181	754,614	542,669	356,621
Finance, insurance and real estate.....	13	44	2,035,107	267,253	101,629	119,237	42,564	42,407	26,292	--
Services.....										
Banking (U.S. parent).....	41	444	114,681,555	11,785,996	1,752,667	1,972,616	469,544	465,777	218,286	197,270
Industry of Controlled Foreign Corporations										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	--	--	--	--	--	--	--	--	--	--
Construction.....	3	3	86,607	2,104	991	1,016	-37	-37	--	111
Manufacturing.....	41	418	113,154,526	11,769,634	1,671,341	1,882,653	458,889	455,243	203,626	197,159
Transportation and public utilities.....	6	23	1,440,423	14,259	80,335	88,746	30,681	30,570	14,660	--
Wholesale and retail trade.....	39	176	23,506,769	4,497,431	394,687	557,106	68,321	67,863	158,573	53,791
Finance, insurance and real estate.....	3	4	74,562	65,576	5,288	7,901	--	--	--	--
Services.....										
Insurance (U.S. parent).....	38	193	6,506,722	3,442,382	534,595	619,133	142,617	143,970	175,254	51,388
Industry of Controlled Foreign Corporations										
Agriculture, forestry and fishing.....	--	--	--	--	--	--	--	--	--	--
Mining.....	3	4	68,295	645	2,271	2,271	--	--	--	12,794
Construction.....	3	5	79,719	64,232	-2,033	1,533	543	-351	--	--
Manufacturing.....	3	3	174,494	123,600	23,162	23,687	4,212	4,212	31,768	34,478
Transportation and public utilities.....	14	23	1,554,099	304,285	47,924	54,051	7,796	10,517	143,039	4,127
Wholesale and retail trade.....	30	145	3,978,610	2,751,733	429,401	500,257	122,336	121,861	--	--
Finance, insurance and real estate.....										
Services.....										

\*\* Data deleted to avoid disclosure of information for specific corporations.  
Note: Detail may not add to total because of rounding and because agriculture, forestry, and fishing is not shown for the U.S. parent corporations.

Table 2.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income, and Selected Transactions of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected industry of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations								Selected receipts by foreign corporations from: All related persons
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Actual distributions in current year	Subpart F income		
All industries, total.....	714	7,500	740,395,679	589,884,940	56,590,619	19,034,715	21,730,782	4,223,316	122,306,380	
Agriculture, forestry and fishing.....	11	25	597,029	560,406	48,313	15,029	16,250	15,500	210,124	
Mining.....	76	217	27,005,021	14,791,221	3,558,046	2,011,736	1,879,554	141,476	2,980,552	
Construction.....	24	95	3,903,366	4,398,397	327,143	117,962	229,429	58,427	444,154	
Manufacturing.....	389	3,341	270,161,948	357,502,549	32,025,770	12,094,770	10,766,142	1,018,525	84,527,850	
Food and kindred products.....	47	311	17,185,364	26,470,998	2,627,616	936,441	1,024,557	107,847	3,162,292	
Chemicals and allied products.....	102	882	51,072,534	55,665,989	6,899,543	2,110,799	1,866,665	240,731	10,609,785	
Petroleum (including integrated) and coal products.....	16	65	29,355,602	47,129,756	3,956,133	1,796,729	1,495,544	343,415	4,881,681	
Fabricated metal products.....	70	199	8,816,474	6,839,174	874,183	248,188	256,527	2,592	936,644	
Machinery, except electrical.....	81	376	45,549,803	39,879,010	7,596,140	3,130,022	2,817,613	57,184	17,958,353	
Electrical and electronic equipment.....	77	472	32,460,602	45,116,200	3,290,764	963,562	799,157	137,315	10,724,537	
Motor vehicles and equipment.....	32	163	42,379,554	76,686,833	2,667,141	1,221,866	1,240,967	17,118	25,338,879	
Transportation and public utilities.....	77	226	17,155,300	7,098,494	1,049,350	259,133	511,034	141,716	2,243,454	
Water transportation.....	43	124	7,723,082	2,944,164	237,147	5,356	134,089	126,490	2,004,928	
Wholesale and retail trade.....	230	1,156	76,133,502	151,984,251	8,642,700	2,705,759	3,970,485	391,691	17,522,992	
Wholesale trade.....	196	980	64,226,156	128,391,269	7,809,692	2,351,031	3,590,384	362,113	16,431,908	
Finance, insurance and real estate.....	452	1,911	322,820,276	41,286,203	9,465,673	1,427,045	3,820,279	2,321,621	11,670,001	
Banking.....	48	253	90,773,446	6,526,009	1,223,140	292,024	115,855	60,982	1,078,725	
Insurance, except other than banks.....	147	460	68,244,309	10,591,737	1,941,087	479,283	686,930	771,684	2,886,233	
Credit agencies other than banks.....	180	332	39,003,026	9,737,589	1,460,814	120,131	555,964	355,918	2,056,528	
Holding and other investment companies, except bank holding companies.....	263	629	75,477,434	8,417,323	4,231,159	341,996	2,342,811	1,087,261	4,919,798	
Services.....	165	519	22,386,413	12,217,752	1,478,715	398,413	535,745	134,380	2,694,383	
Business services.....	98	253	10,535,242	4,270,406	576,533	150,290	270,533	66,151	1,632,132	

Selected industry of 7,500 Largest Controlled Foreign Corporations	7,500 Largest Controlled Foreign Corporations--Continued								
	Selected receipts by foreign corporations from:--Continued								
	U.S. corporation filing return and its domestic subsidiaries				Any foreign corporation controlled by U.S. corporation filing return				
	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
All industries, total.....	60,110,117	46,749,756	4,115,133	5,787,938	61,523,955	46,913,101	3,862,593	4,514,627	150,042,967
Agriculture, forestry and fishing.....	20,028	16,919	3,003	8	190,095	173,799	136	16,160	63,965
Mining.....	1,590,109	1,441,187	25,045	99,791	1,390,616	824,075	63,079	98,693	3,181,927
Construction.....	172,590	101,360	61,563	9,645	270,440	135,607	92,210	35,231	640,209
Manufacturing.....	41,025,339	37,349,841	2,699,375	510,406	43,202,639	37,662,402	2,132,310	1,727,731	101,434,535
Food and kindred products.....	718,880	676,165	14,842	23,553	2,443,412	2,277,669	46,690	56,288	3,607,880
Chemicals and allied products.....	1,680,192	1,395,542	150,778	81,458	8,912,884	7,236,853	190,240	1,054,383	12,885,003
Petroleum (including integrated) and coal products.....	2,797,544	2,628,098	128,985	37,608	2,084,133	1,224,788	192,500	192,796	9,769,534
Fabricated metal products.....	180,379	162,399	4,877	7,750	756,266	720,157	7,230	20,567	1,005,502
Machinery, except electrical.....	6,194,273	4,510,037	1,423,352	102,668	11,750,584	10,852,881	671,028	45,583	21,901,444
Electrical and electronic equipment.....	5,282,746	4,677,936	405,012	50,872	5,441,644	4,918,721	317,975	86,563	10,226,379
Motor vehicles and equipment.....	19,866,401	19,432,492	267,097	152,652	5,265,269	4,444,371	597,234	147,090	30,973,342
Transportation and public utilities.....	1,373,428	350,870	322,652	374,294	628,040	294,173	51,438	214,354	1,101,122
Water transportation.....	1,270,336	288,902	296,997	361,057	492,606	207,400	24,023	204,903	561,630
Wholesale and retail trade.....	8,131,170	7,222,095	283,239	62,133	9,330,616	6,904,881	491,847	410,544	31,166,260
Wholesale trade.....	7,813,912	6,858,697	271,671	58,251	8,561,083	6,352,492	386,167	331,124	29,101,073
Finance, insurance and real estate.....	6,843,257	94,352	149,575	4,591,596	4,777,554	329,587	303,429	1,735,676	9,533,026
Banking.....	6,825,796	--	37,129	685,105	2,277,678	--	6,825	262,588	1,510,037
Insurance, except other than banks.....	1,900,497	6,960	5,395	1,845,028	972,301	143,588	157,778	548,389	2,586,216
Credit agencies other than banks.....	1,638,428	--	5,720	38,044	417,651	411	7,748	50,590	831,487
Holding and other investment companies, except bank holding companies.....	2,071,042	67,632	15,944	1,861,361	2,824,021	124,977	122,040	784,390	3,739,603
Services.....	949,659	168,943	570,462	139,617	1,726,019	587,603	723,389	275,330	2,910,435
Business services.....	747,427	100,765	508,697	95,851	1,066,000	139,142	598,504	202,059	1,261,114

Footnotes at end of table

Table 2.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income, and Selected Transactions of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of Controlled Foreign Corporation--Continued  
(Money amounts are in thousands of dollars)

Selected industry of 7,500 Largest Controlled Foreign Corporations	7,500 Largest Controlled Foreign Corporations--Continued									
	Selected payments by foreign corporations to--Continued									
	U.S. corporation filing return and its domestic subsidiaries					Any foreign corporation controlled by U.S. corporation filing return				
	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid	Interest, rents, and royalties paid	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid	Interest, rents, and royalties paid
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	
All industries, total.....	92,450,687	60,644,292	4,187,446	15,490,666	10,394,797	56,122,819	40,885,436	4,331,497	5,602,344	3,793,785
Agriculture, forestry and fishing.....	59,460	29,971	451	15,793	6,066	4,505	2,455	188	253	1,511
Mining.....	2,242,820	482,519	82,025	1,347,192	244,378	938,967	172,064	78,281	522,431	136,871
Construction.....	340,383	86,072	34,516	195,512	17,548	270,636	106,650	81,455	28,379	51,424
Manufacturing.....	65,205,035	44,902,791	3,456,801	8,379,853	7,179,352	35,221,588	28,061,896	3,197,319	1,933,479	1,209,636
Food and kindred products.....	1,525,544	546,599	90,782	605,875	226,905	2,082,335	1,594,768	67,461	273,575	110,202
Chemicals and allied products.....	6,937,022	4,229,711	278,645	1,362,346	926,786	5,917,495	4,479,228	456,804	446,118	275,222
Petroleum (including integrated) and coal products.....	6,388,540	5,090,758	95,278	1,144,438	55,525	2,534,908	1,774,349	253,950	254,285	208,043
Fabricated metal products.....	656,302	323,126	25,201	225,983	69,726	349,159	274,090	10,907	23,263	35,604
Machinery, except electrical.....	10,797,283	5,030,477	427,729	2,512,518	2,726,024	11,066,025	9,893,307	898,064	291,813	123,504
Electrical and electronic equipment.....	6,476,810	4,904,062	354,949	487,072	339,923	3,749,569	3,050,561	116,319	294,647	137,990
Motor vehicles and equipment.....	26,200,235	20,714,252	1,946,256	1,132,811	2,225,240	4,741,818	3,146,377	1,283,920	93,763	187,584
Transportation and public utilities.....	367,741	136,355	36,187	141,202	32,447	708,330	120,415	81,862	286,186	199,542
Water transportation.....	186,192	84,564	10,420	67,109	20,263	352,594	59,135	41,714	66,979	162,014
Wholesale and retail trade.....	17,354,919	14,377,551	242,225	2,209,766	365,454	13,441,172	10,703,428	323,024	1,716,859	458,020
Wholesale trade.....	16,094,130	13,454,720	235,208	2,027,390	254,606	12,656,832	10,217,918	315,092	1,536,844	363,821
Finance, insurance and real estate.....	5,637,734	220,310	186,930	2,852,959	2,272,756	3,860,014	837,164	267,267	934,424	1,471,604
Banking.....	1,134,013	39,849	100,716	579,573	682,163	1,387,568	305,010	104,984	10,615	624,776
Credit agencies other than banks.....	1,198,053	--	34,323	475,400	682,163	1,387,568	305,010	104,984	10,615	624,776
Insurance.....	570,593	3,109	40,200	439,902	10,976	260,894	--	49,643	116,048	14,183
Holding and other investment companies, except bank holding companies.....	2,329,513	64,814	11,401	1,799,199	451,573	1,406,757	375,205	10,759	524,255	406,543
Services.....	1,232,315	407,978	146,267	346,556	271,114	1,676,380	881,325	302,100	178,332	260,971
Business services.....	597,478	278,468	66,533	150,661	70,334	661,906	201,760	173,458	114,074	137,379

Note: Detail may not add to total because of rounding.

Table 3.--U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income, and Selected Transactions of 7,500 Largest Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected country of incorporation of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations						
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Actual distributions in current year	Subpart F income
All geographic areas, total.....	714	7,500	740,395,679	569,894,940	56,590,619	19,034,715	21,730,762	4,223,316
Canada.....	432	840	112,056,545	103,143,181	8,703,748	3,419,265	3,411,443	170,487
Latin America, total.....	289	959	62,768,032	45,957,256	1,171,667	1,388,633	2,141,443	535,868
Mexico.....	97	150	6,229,438	6,667,206	5,152,512	124,603	139,066	11,614
Central America, total.....	85	194	21,811,338	8,447,431	1,517,506	147,154	845,314	402,013
Costa Rica.....	8	12	212,170	296,179	296,179	7,102	21,431	6,450
El Salvador.....	4	4	66,352	166,824	166,824	5,813	14,332	7,148
Guatemala.....	10	10	148,700	154,288	5,804	5,813	13,727	5
Honduras.....	8	9	255,988	371,302	16,301	14,332	815,114	402,096
Panama.....	86	156	20,881,062	7,407,269	1,418,862	46,785	40,420	53,876
Caribbean countries, total.....	66	85	6,545,285	1,222,215	402,131	36,785	14,714	53,363
Cayman Islands (British).....	52	6	5,790,474	981,767	326,959	32,452	5,179	19,565
Dominican Republic.....	4	4	250,111	250,111	37,454	1,070,291	1,261,615	26,305
South America, total.....	190	530	28,381,771	29,620,404	3,048,069	47,646	108,572	12,836
Argentina.....	59	79	4,219,492	3,808,174	243,647	8,199	56,300	5,200
Bolivia.....	1	1	--	--	--	--	--	--
Brazil.....	157	279	19,104,216	21,047,487	2,388,146	860,282	981,442	41,708
Chile.....	23	35	1,487,954	1,030,429	94,004	13,826	46,145	413
Colombia.....	35	9	1,004,648	1,715,863	159,693	68,301	53,559	12
Ecuador.....	9	9	258,915	86,868	29,045	3,801	7,198	--
Peru.....	7	11	193,362	196,923	40,493	19,508	9,849	--
Uruguay.....	5	6	220,600	65,167	2,119	1,409	4,765	--
Venezuela.....	56	69	1,782,997	1,645,730	101,946	55,564	49,992	1,448
Other Western Hemisphere, total.....	329	623	85,135,354	24,219,911	3,366,919	336,392	1,862,368	1,792,742
Bahamas.....	39	59	7,400,370	7,173,147	121,467	307,889	307,889	69,053
Bermuda.....	202	311	25,879,727	10,300,485	1,408,581	54,269	761,654	510,069
Netherlands Antilles.....	186	250	51,866,232	6,745,540	1,552,260	160,637	792,646	1,213,671
Europe, total.....	490	3,696	363,735,353	328,082,275	30,411,912	10,606,741	11,374,996	1,444,519
European Economic Community, total.....	480	3,277	343,827,575	293,002,486	26,854,921	9,840,846	9,892,212	728,040
Belgium.....	128	205	17,575,089	15,293,609	1,498,992	52,222	347,267	203,430
Denmark.....	41	50	2,088,266	2,804,282	330,293	137,153	143,041	4
France (including Andorra).....	246	447	30,325,398	41,444,103	2,632,196	1,154,536	760,910	3,221
Germany.....	18	16	383,327	383,327	1,082,556	23,031	1,355	--
Ireland.....	59	81	4,389,585	2,583,429	516,200	24,015	168,737	11,211
Italy (including San Marino).....	23	332	31,187,410	26,799,899	2,823,505	5,823,505	581,115	10,108
Japan.....	26	26	4,548,678	1,077,087	1,077,087	47,864	45,813	4,427
Netherlands.....	188	338	26,515,126	23,648,159	2,441,280	404,915	513,341	70,937
Portugal.....	26	30	695,551	1,275,205	134,802	32,284	31,490	--
Spain.....	124	177	12,836,103	11,267,678	945,225	311,363	376,538	2,818
United Kingdom.....	361	1,066	146,804,566	97,260,938	8,798,051	3,496,719	4,905,081	238,214
West Germany.....	244	512	64,478,587	66,645,539	5,508,130	2,630,013	1,900,247	162,636
Other West European countries, total.....	177	418	39,758,165	35,072,394	3,556,202	767,896	1,482,765	716,478
Austria.....	37	46	3,534,008	3,616,796	347,267	77,603	210,467	52,480
Finland.....	22	24	1,280,341	1,650,227	153,933	56,497	72,600	--
Luxembourg.....	33	6	257,283	108,241	6,288	74,339	20,963	--
Norway.....	5	5	85,901	72,597	262,610	216,294	116,332	--
Sweden.....	57	69	3,086,842	3,922,891	282,423	115,663	51,166	--
Switzerland.....	135	225	29,238,465	21,754,231	2,325,876	285,423	933,387	624,226
Turkey.....	5	5	259,318	767,115	26,547	12,655	10,508	--
Africa, total.....	124	251	12,872,138	10,594,605	1,104,119	373,877	405,383	45,701
Egypt.....	8	8	191,443	231,543	22,856	7,460	8,922	--
Kenya.....	6	6	192,681	247,376	57,166	22,880	18,118	--
Liberia.....	46	89	6,815,184	2,052,434	163,842	6,196	41,936	45,343
Morocco.....	4	4	85,901	72,597	262,610	216,294	116,332	--
Nigeria.....	11	12	1,494,724	1,705,998	441,949	147,492	149,812	--
South Africa (including Namibia).....	7	8	2,882,167	4,572,014	291,614	103,101	151,727	24
Zaire.....	5	6	129,042	166,121	21,375	9,936	6,497	--
Zimbabwe.....	6	10	291,229	387,664	52,720	18,813	17,315	334
Asia, total.....	228	671	51,810,343	52,443,853	5,751,421	2,246,046	1,804,528	181,278
Hong Kong.....	97	145	16,135,149	6,086,086	920,778	150,334	406,885	90,521
India.....	11	12	472,592	651,801	69,937	31,484	6,429	--
Indonesia.....	13	16	742,012	2,735,798	505,394	286,661	6,300	--
Israel.....	9	16	311,856	252,038	14,927	9,420	7,596	--
Japan.....	129	195	19,762,444	27,987,988	2,779,352	1,484,063	989,180	9,135
Malaysia.....	25	37	1,627,324	2,728,729	182,590	65,896	38,226	8,777
Philippines.....	34	34	1,261,361	1,741,794	41,773	65,535	56,693	5,563
Saudi Arabia.....	9	11	1,081,039	165,051	-67,209	6,121	42,156	100
Singapore.....	56	80	5,917,968	4,986,852	670,887	36,088	100,484	59,646
South Korea.....	22	24	681,004	675,096	61,995	22,703	51,628	4
Taiwan.....	45	52	2,028,061	2,153,244	213,502	26,645	53,662	--
Thailand.....	27	31						

Table 3.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income, and Selected Transactions of 7,500 Largest Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation—Continued  
(Money amounts are in thousands of dollars)

Selected country of incorporation of 7,500 Largest Controlled Foreign Corporations	7,500 Largest Controlled Foreign Corporations—Continued									
	Selected receipts by foreign corporations from*					Any foreign corporation controlled by U.S. corporation filing return				
	All related persons	U.S. corporation filing return and its domestic subsidiaries			Any foreign corporation controlled by U.S. corporation filing return					
(9)	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	Sales of stock in trade	Compensation received for certain services	Interest, rents, and royalties received	Total	
All geographic areas, total	122,306,380	60,110,117	48,749,756	4,115,133	5,787,938	81,523,955	46,913,101	3,862,953	4,514,627	
Canada	28,356,010	24,181,670	23,636,434	232,307	132,810	3,827,645	2,034,695	452,202	516,634	
Latin America, total	7,474,594	3,792,102	3,042,329	143,253	465,781	3,634,566	2,532,290	8,110	434,166	
Mexico	1,289,230	1,137,327	1,037,537	63,640	113,330	151,342	107,679	6,797	25,062	
Central America, total	2,653,072	1,252,011	774,895	50,606	396,965	1,339,315	711,800	20,330	244,061	
Costa Rica	156,832	14,687	14,419	364	—	141,946	141,495	—	1	
El Salvador	3,416	—	—	317	—	11,751	21,602	424	67	
Guatemala	69,037	56,756	56,398	—	—	24,751	14,202	—	23	
Honduras	77,831	53,080	53,080	—	—	396,965	1,157,265	19,907	243,968	
Panama	2,296,300	1,127,378	630,997	49,825	33,938	537,452	109,815	1,605	38,452	
Caribbean countries, total	422,054	253,272	173,927	12,758	33,393	131,274	88,326	1,605	31,916	
Cayman Islands (British)	405,038	252,536	172,917	—	—	—	—	—	—	
Dominican Republic	—	—	—	14,248	21,747	2,000,609	1,596,906	53,207	128,592	
South America, total	3,150,238	1,149,121	1,056,514	3,540	1,945	303,632	320,727	10,067	10,065	
Argentina	623,657	240,222	216,514	—	—	1,502,765	1,209,697	38,330	103,527	
Bolivia	—	—	—	—	15,385	1,502,765	1,209,697	38,330	103,527	
Brazil	2,330,897	827,631	785,451	6,174	9	44,952	24,550	163	2,492	
Chile	84,251	19,299	18,685	36	—	14,734	6,882	2,596	2,178	
Colombia	45,308	30,573	26,119	652	1,299	203	24	66	—	
Ecuador	3,182	2,979	363	—	—	2,318	248	1,923	145	
Peru	5,176	2,968	68	1,960	—	11	3,938	3,750	—	
Uruguay	52,826	25,412	8,553	592	2,187	2,187	17,495	114	9,931	
Venezuela	454,287	8,214,166	2,959,584	38,091	3,657,951	1,360,278	437,075	70,123	410,632	
Other Western Hemisphere, total	454,287	233,104	173,167	7,052	30,652	221,184	60,863	10,727	68,353	
Bahamas	5,058,354	4,237,078	2,658,703	30,948	64,999	619,260	327,403	18,479	138,292	
Bermuda	4,098,233	3,743,894	1,127,695	91	3,582,901	319,835	48,809	46,917	203,987	
Netherlands Antilles	—	—	—	—	1,270,723	45,575,115	36,061,462	2,931,363	2,744,630	
Europe, total	50,504,986	12,831,567	6,468,759	2,429,261	1,770,723	45,575,115	36,061,462	2,931,363	2,744,630	
European Economic Community, total	53,021,252	11,381,770	7,355,206	2,203,833	1,175,737	41,588,255	33,130,625	2,500,876	2,493,837	
Belgium	3,306,352	618,400	425,569	119,291	2,879,614	2,282,188	175,356	13,588	—	
Denmark	240,335	90,226	74,736	11,040	3,987	148,809	94,175	14,545	14,855	
France (including Andorra)	7,886,420	1,876,611	983,854	606,209	5,267	6,003,430	5,301,659	415,745	67,790	
Germany	23,855	2,447	3	938	—	21,408	20,774	10	—	
Greece	—	—	—	—	6,008	612,841	535,254	12,256	10,827	
Ireland	1,447,317	134,778	117,917	13,463	9,987	3,024,416	1,999,249	119,378	859,051	
Italy (including San Marino)	3,559,336	569,299	433,986	73,532	8,000	3,007,247	2,768,849	6,130	42,275	
Luxembourg	564,504	233,587	30,335	90,391	106,729	330,897	276,849	331,021	—	
Netherlands	5,733,948	649,516	407,355	42,380	168,041	5,080,825	4,302,231	1,153	153	
Portugal	102,851	12,748	11,534	902	90,103	88,565	57,308	—	—	
Spain	1,719,682	163,501	138,473	13,406	10,071	1,016,181	915,796	15,071	57,308	
United Kingdom	16,728,760	5,581,195	3,771,159	724,726	591,626	11,133,824	980,974	224,540	750,337	
West Germany	13,113,473	1,649,765	955,199	508,556	150,911	11,446,505	10,212,175	535,529	750,337	
Other West European countries, total	5,543,662	1,549,728	1,113,551	225,428	94,895	3,986,860	2,930,837	430,487	250,793	
Austria	220,913	61,279	12,285	45,908	2,843	159,521	70,690	24,224	3,949	
Finland	23,373	4,773	458	2,536	1,765	18,600	11,158	4,193	1,578	
Luxembourg	87,740	654	36	—	—	87,066	18,336	9	7,115	
Norway	290,591	236,908	211,433	9,152	12,854	53,883	58,607	5,481	4,508	
Sweden	745,661	260,493	227,004	28,000	1,728	481,323	448,752	12,369	2,088	
Switzerland	4,147,637	962,189	662,247	139,732	76,104	3,182,299	2,339,913	383,738	231,314	
Turkey	24,048	23,328	—	—	—	720	375	71	—	
Africa, total	2,550,287	1,238,970	630,346	259,766	23,856	1,059,867	840,131	16,880	127,168	
Egypt	189	189	—	—	—	—	—	—	167	
Kenya	23,371	13,272	13,239	33	—	10,098	6,779	236	123,239	
Liberia	1,705,874	976,687	373,117	257,456	22,576	577,802	378,055	10,389	—	
Morocco	1,381	—	—	—	—	1,381	1,381	—	—	
Nigeria	142,358	137,453	136,247	—	—	4,903	4,903	—	2,847	
South Africa (including Namibia)	478,758	19,220	16,138	1,663	571	460,441	448,932	5,578	—	
Zaire	1,263	1,198	757	—	—	65	2	63	911	
Zimbabwe	4,734	—	—	—	—	4,734	—	—	—	
Asia, total	12,123,198	7,509,266	6,169,320	808,668	208,082	4,567,268	4,080,552	129,750	127,632	
Hong Kong	1,591,048	897,531	600,006	47,005	143,194	856,955	444,202	29,246	50,743	
India	13,352	6,087	7,709	—	—	5,286	3,832	450	301	
Indonesia	32,770	921	2	183	714	31,849	19,032	7,624	2,509	
Israel	107,901	99,312	39,308	6,408	—	17,360	2,944	2,080	51,062	
Japan	3,479,723	1,734,408	1,092,220	554,690	48,754	1,736,138	1,610,662	27,653	3,016	
Malaysia	1,596,698	1,093,663	981,255	24,302	2,165	235,135	226,941	2,936	814	
Philippines	384,061	148,926	137,264	8,884	11	7,623	58	2,320	8,805	
Saudi Arabia	23,679	16,296	849	15,310	11,539	565,615	538,426	14,686	8,805	
Singapore	2,687,695	2,301,658	2,224,171	63,087	—	86,770	80,177	584	1,906	
South Korea	345,945	219,526	191,235	38,452	1,300	480,687	480,036	2,000	1,906	
Taiwan	963,654	738,598	684,747	17,325	10	225,255	202,359	455	190	
Thailand	642,871	162,038	130,170	30,352	—	9,579	978,853	527,128	169,306	
Oceania, total	1,341,802	362,804	152,845	160,808	9,264	950,149	512,363	168,407	152,774	
Australia	1,285,829	339,738	152,845	160,808	9,264	950,149	512,363	168,407	152,774	
New Zealand	47,508	20,063	16,651	3,006	6	27,425	13,700	687	944	
Puerto Rico and U.S. Possessions, total	2,285,829	1,878,408	1,860,359	39,773	19,155	406,343	399,850	5,257	990	
Puerto Rico	1,922,592	1,626,159	1,626,159	39,773	19,155	406,343	399,850	5,257	990	
U.S. Virgin Islands	2,046,635	1,660,185	1,634,016	—	240	380,470	380,391	—	79	

Footnotes at end of table.

Table 3.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions, Subpart F Income, and Selected Transactions of 7,500 Largest Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation—Continued  
(Money amounts are in thousands of dollars)

Selected country of incorporation of 7,500 Largest Controlled Foreign Corporations	7,500 Largest Controlled Foreign Corporations—Continued									
	Selected receipts by foreign corporations from*					Any foreign corporation controlled by U.S. corporation filing return				
	All related persons	U.S. corporation filing return and its domestic subsidiaries			Any foreign corporation controlled by U.S. corporation filing return					
(9)	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid	Interest, rents, and royalties paid	Total	Purchases of stock in trade	Compensation paid for certain services	Dividends paid	Interest, rents, and royalties paid
All geographic areas, total	150,042,967	92,450,687	80,644,292	4,187,446	15,490,666	10,394,977	56,122,819	40,885,436	4,331,497	5,802,344
Canada	31,993,664	27,696,480	22,731,347	1,465,060	2,384,697	701,081	4,168,930	1,969,197	446,373	844,556
Latin America, total	12,996,965	10,276,286	4,933,030	648,560	1,734,636	2,645,878	2,556,058	1,407,977	91,627	153,127
Mexico	6,237,082	6,073,298	3,123,632	543,062	122,194	2,219,514	182,348	123,415	5,599	16,005
Central America, total	2,196,945	1,123,505	438,963	1,643	1,731	190,425	122,248	249,581	46,928	27,478
Costa Rica	83,411	28,244	21,407	—	—	55,167	49,791	2,817	686	1,824
El Salvador	9,034	974	—	—	—	548	8,060	—	—	—
Guatemala	16,651	15,750	6,727	834	5,994	2,130	3,903	2,379	194	51
Honduras	88,573	66,105	54,448	—	—	103,726	57,113	22,869	32,196	112
Panama	1,995,632	1,212,191	356,147	54,139	558,457	185,314	651,289	174,871	44,787	117,012
Caribbean countries, total	311,310	251,107	123,877	10,005	13,289	61,049	53,452	7,963	4,678	5,985
Cayman Islands (British)	225,569	191,673	106,424	8,005	8,969	60,274	29,153	4,967	4,678	11,339
Dominican Republic	27,333	8,148	—	—	—	389	—	—	—	—
South America, total	4,231,628	2,628,075	1,266,							

Table 4.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Size of Total Assets of Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and size of total assets of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations									
		Number of foreign corporations	Total assets	Business receipts	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income		
					Current earnings and profits (less deficit) before taxes	Current earnings and profits before taxes					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<b>All industries, total</b>	<b>714</b>	<b>7,500</b>	<b>740,395,879</b>	<b>\$69,884,840</b>	<b>56,590,619</b>	<b>62,966,595</b>	<b>19,229,025</b>	<b>19,034,715</b>	<b>21,730,762</b>	<b>4,223,316</b>	
Under \$10,000,000.....	352	817	7,793,298	10,200,320	651,887	926,652	259,899	256,002	344,725	91,067	
Under \$10,000,000 under \$25,000,000.....	549	2,738	44,045,998	52,633,902	3,939,958	5,294,879	1,535,949	1,489,371	1,873,655	309,055	
\$25,000,000 under \$50,000,000.....	438	1,500	52,969,572	57,436,364	4,967,773	5,921,827	1,731,084	1,700,101	1,912,836	360,469	
\$50,000,000 under \$100,000,000.....	348	1,031	72,729,298	72,135,123	6,539,315	7,450,241	2,046,042	1,987,114	2,686,558	501,575	
\$100,000,000 or more.....	304	1,344	562,857,514	397,477,232	40,491,685	43,372,997	13,592,129	13,565,400	15,013,007	2,961,150	
<b>Mining</b>	<b>26</b>	<b>118</b>	<b>6,545,122</b>	<b>3,472,424</b>	<b>850,714</b>	<b>1,036,577</b>	<b>500,499</b>	<b>483,043</b>	<b>553,954</b>	<b>107,026</b>	
Under \$10,000,000.....	8	9	114,447	95,323	6,348	6,348	75	75	22,076	3,542	
\$10,000,000 under \$25,000,000.....	6	51	791,745	514,239	27,768	80,071	17,489	15,242	90,575	4,110	
\$25,000,000 under \$50,000,000.....	13	24	797,098	401,222	27,878	42,065	10,134	10,511	10,511	2,038	
\$50,000,000 under \$100,000,000.....	10	17	1,279,346	656,324	57,372	79,094	10,537	10,426	44,018	23,822	
\$100,000,000 or more.....	10	17	3,599,776	1,836,763	769,247	829,079	462,167	459,728	386,675	73,514	
<b>Construction</b>	<b>11</b>	<b>61</b>	<b>2,714,072</b>	<b>2,166,376</b>	<b>181,484</b>	<b>219,607</b>	<b>50,275</b>	<b>39,800</b>	<b>91,461</b>	<b>28,163</b>	
Under \$10,000,000.....	7	13	114,447	95,323	3,201	6,419	1,599	562	352	5,835	
\$10,000,000 under \$25,000,000.....	8	21	330,669	244,005	18,412	29,719	5,859	4,404	7,043	3,727	
\$25,000,000 under \$50,000,000.....	6	14	492,360	201,868	76,426	81,191	23,949	29,891	46,894	3,875	
\$50,000,000 under \$100,000,000.....	5	8	523,878	577,654	42,279	44,112	9,798	9,798	17,165	6,532	
\$100,000,000 or more.....	**	**	**	**	**	**	**	**	**	**	
<b>Manufacturing</b>	<b>391</b>	<b>5,519</b>	<b>480,905,879</b>	<b>498,561,337</b>	<b>48,577,456</b>	<b>53,532,633</b>	<b>16,916,946</b>	<b>16,776,485</b>	<b>19,419,131</b>	<b>3,254,710</b>	
Under \$10,000,000.....	245	687	6,023,750	8,819,757	559,330	776,123	227,964	225,890	307,374	77,223	
\$10,000,000 under \$25,000,000.....	347	2,081	33,535,226	43,372,983	3,475,338	4,477,030	1,313,289	1,273,636	1,572,469	246,235	
\$25,000,000 under \$50,000,000.....	290	1,112	39,020,932	47,003,253	4,196,030	4,890,789	1,479,458	1,454,476	1,606,626	265,672	
\$50,000,000 under \$100,000,000.....	216	754	52,853,245	62,111,346	5,937,140	6,983,457	1,874,344	1,829,397	2,365,082	408,418	
\$100,000,000 or more.....	186	865	349,472,723	337,273,998	34,387,318	36,805,233	12,021,891	11,993,085	13,565,581	2,227,161	
<b>Food and kindred products</b>	<b>28</b>	<b>465</b>	<b>27,896,849</b>	<b>30,572,937</b>	<b>3,158,393</b>	<b>3,348,388</b>	<b>1,029,919</b>	<b>1,012,356</b>	<b>1,157,341</b>	<b>168,057</b>	
Under \$10,000,000.....	18	55	476,724	615,567	41,692	52,104	14,229	14,005	28,006	16,723	
\$10,000,000 under \$25,000,000.....	24	174	4,811,289	4,121,915	258,942	317,182	97,817	88,549	102,886	7,667	
\$25,000,000 under \$50,000,000.....	19	103	3,610,387	5,505,375	328,670	381,199	118,231	114,162	119,056	9,318	
\$50,000,000 under \$100,000,000.....	20	67	4,632,882	5,489,571	668,658	680,273	222,752	222,771	253,810	12,429	
\$100,000,000 or more.....	17	66	16,365,567	14,640,508	1,852,831	1,913,631	573,890	572,849	653,582	122,920	
<b>Chemicals and allied products</b>	<b>66</b>	<b>1,219</b>	<b>83,333,756</b>	<b>69,913,558</b>	<b>8,981,140</b>	<b>9,630,212</b>	<b>2,947,215</b>	<b>2,946,716</b>	<b>3,567,805</b>	<b>885,057</b>	
Under \$10,000,000.....	51	164	1,440,907	1,948,440	175,314	240,275	68,590	69,421	144,747	32,686	
\$10,000,000 under \$25,000,000.....	59	502	8,076,884	9,492,814	1,056,853	1,268,476	376,806	371,879	489,419	78,303	
\$25,000,000 under \$50,000,000.....	53	223	7,694,747	10,160,342	1,016,689	1,114,417	371,507	373,475	407,329	81,281	
\$50,000,000 under \$100,000,000.....	40	166	11,857,119	11,553,170	1,452,378	1,575,194	459,245	461,558	478,248	98,651	
\$100,000,000 or more.....	37	164	54,264,099	36,758,792	5,275,905	5,431,850	1,671,067	1,670,383	2,048,091	593,156	
<b>Petroleum (including integrated) and coal products</b>	<b>24</b>	<b>478</b>	<b>104,965,557</b>	<b>122,047,928</b>	<b>12,336,432</b>	<b>13,365,794</b>	<b>4,308,326</b>	<b>4,239,572</b>	<b>5,971,961</b>	<b>1,086,261</b>	
Under \$10,000,000.....	10	27	239,937	404,258	39,030	33,180	12,472	12,473	3,023	187	
\$10,000,000 under \$25,000,000.....	21	145	2,366,218	4,182,901	169,923	340,970	100,410	97,510	142,415	45,480	
\$25,000,000 under \$50,000,000.....	19	89	3,142,811	4,006,309	481,179	543,221	121,865	127,016	261,320	71,580	
\$50,000,000 under \$100,000,000.....	16	67	4,713,216	8,217,164	592,152	697,741	198,685	198,803	688,200	111,351	
\$100,000,000 or more.....	19	150	94,503,374	105,157,297	11,064,148	11,750,682	3,874,883	3,803,769	4,877,001	857,663	
<b>Fabricated metal products</b>	<b>21</b>	<b>200</b>	<b>6,250,780</b>	<b>6,727,735</b>	<b>798,808</b>	<b>848,042</b>	<b>254,700</b>	<b>258,937</b>	<b>350,807</b>	<b>7,569</b>	
Under \$10,000,000.....	11	31	263,264	287,718	29,205	32,581	9,209	7,037	6,519	580	
\$10,000,000 under \$25,000,000.....	21	88	1,422,443	1,763,340	242,116	253,221	72,326	67,980	131,706	580	
\$25,000,000 under \$50,000,000.....	17	49	1,713,721	1,613,202	182,858	196,134	69,709	70,378	68,182	5,540	
\$50,000,000 under \$100,000,000.....	11	24	1,635,774	1,829,104	202,312	223,793	65,172	65,259	66,542	1,312	
\$100,000,000 or more.....	5	8	1,209,578	1,234,372	142,314	142,314	48,283	48,283	97,857	157	

Footnotes at end of table.

Table 4.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations: Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Size of Total Assets of Controlled Foreign Corporation—Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and size of total assets of 7,500 Largest Controlled Foreign Corporations	Number of U.S. corporation returns	7,500 Largest Controlled Foreign Corporations									
		Number of foreign corporations	Total assets	Business receipts	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Actual distributions in current year	Subpart F income		
					Current earnings and profits (less deficit) before taxes	Current earnings and profits before taxes					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<b>Manufacturing—Continued</b>											
<b>Machinery, except electrical</b>	<b>45</b>	<b>725</b>	<b>69,531,377</b>	<b>58,664,442</b>	<b>8,821,770</b>	<b>9,625,964</b>	<b>3,600,264</b>	<b>3,523,516</b>	<b>3,747,000</b>	<b>196,933</b>	
Under \$10,000,000.....	33	87	763,702	967,028	50,845	76,234	21,030	22,432	26,978	5,842	
\$10,000,000 under \$25,000,000.....	43	261	4,193,162	4,825,489	337,297	491,292	151,144	148,309	197,650	29,871	
\$25,000,000 under \$50,000,000.....	29	141	4,985,212	4,843,420	341,914	474,729	150,365	144,184	288,964	33,229	
\$50,000,000 under \$100,000,000.....	32	103	7,301,774	6,559,976	569,435	728,834	199,939	160,244	224,425	33,740	
\$100,000,000 or more.....	22	133	52,207,527	41,468,529	7,522,279	7,854,875	3,077,795	3,048,328	3,008,984	96,151	
<b>Electrical and electronic equipment</b>	<b>44</b>	<b>713</b>	<b>48,874,023</b>	<b>46,842,792</b>	<b>4,112,571</b>	<b>4,113,012</b>	<b>1,023,696</b>	<b>1,143,683</b>	<b>269,031</b>		
Under \$10,000,000.....	26	96	939,786	1,207,404	45,593	96,399	34,867	33,635	25,808	8,631	
\$10,000,000 under \$25,000,000.....	39	281	4,481,887	5,727,146	479,871	596,740	137,824	135,111	234,405	6,356	
\$25,000,000 under \$50,000,000.....	30	148	5,118,197	6,061,365	368,825	540,963	151,136	143,870	244,356	38,575	
\$50,000,000 under \$100,000,000.....	26	89	6,262,734	7,201,875	812,548	861,459	178,632	175,431	144,444	18,560	
\$100,000,000 or more.....	19	99	32,202,458	26,644,992	2,385,734	2,607,451	534,835	535,651	494,671	166,809	
<b>Motor vehicles and equipment</b>	<b>14</b>	<b>268</b>	<b>63,075,879</b>	<b>81,901,610</b>	<b>3,279,031</b>	<b>3,854,659</b>	<b>1,294,430</b>	<b>1,364,034</b>	<b>1,437,032</b>	<b>166,616</b>	
Under \$10,000,000.....	6	18	154,762	237,458	4,156	14,307	4,156	2,995	3,268	691	
\$10,000,000 under \$25,000,000.....	13	80	1,269,819	2,365,113	-18,603	96,937	31,972	23,383	13,852	1,031	
\$25,000,000 under \$50,000,000.....	13	41	1,422,391	1,616,114	113,299	160,126	46,261	44,445	19,265	17,461	
\$50,000,000 under \$100,000,000.....	6	42	3,013,443	4,003,070	201,419	238,510	62,174	66,759	31,258	11,529	
\$100,000,000 or more.....	10	87	57,125,469	73,679,845	2,984,454	3,344,778	1,149,865	1,226,452	1,369,369	155,885	
<b>Transportation and public utilities</b>	<b>66</b>	<b>381</b>	<b>24,873,374</b>	<b>9,964,847</b>	<b>1,110,436</b>	<b>1,398,410</b>	<b>301,793</b>	<b>305,100</b>	<b>421,004</b>	<b>248,194</b>	
Under \$10,000,000.....	20	43	386,853	326,892	14,856	23,789	5,534	6,047	6,012	163	
\$10,000,000 under \$25,000,000.....	42	147	2,367,210	1,672,635	79,588	109,662	46,357	47,539	69,371	24,530	

Table 4.—U.S. Corporation Returns with Total Assets of \$500 Million or More and their 7,500 Largest Controlled Foreign Corporations, by Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Subpart F Income of 7,500 Largest Controlled Foreign Corporations, by Selected Industry of U.S. Corporation and Selected Country of Incorporation of Controlled Foreign Corporation—Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Business receipts (less deficit) before taxes	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (less deficit) before taxes		Foreign income taxes (net)	Foreign distributions in current year	Subpart F income
						Earnings and profits (less deficit) before taxes	Foreign income taxes (net)			
Finance, insurance, and real estate	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Continued										
Credit agencies other than banks.....	14	62	14,454,208	1,799,863	295,778	335,233	44,879	46,791	118,299	80,942
Under \$10,000,000.....	**	**	**	**	**	**	**	**	**	**
Under \$10,000,000 under \$25,000,000.....	4	13	474,725	85,453	-9,798	5,650	1,733	3,174	186	371
\$25,000,000 under \$50,000,000.....	4	13	714,225	142,913	24,192	24,192	9,269	9,269	4,689	4,689
\$50,000,000 under \$100,000,000.....	9	27	13,038,257	1,426,138	274,149	292,672	27,066	28,503	119,316	82,107
\$100,000,000 or more.....	9	27	13,038,257	1,426,138	274,149	292,672	27,066	28,503	119,316	82,107
Insurance.....	39	176	23,905,789	4,497,431	394,697	557,106	68,321	67,663	158,573	53,781
Under \$10,000,000.....	9	5	853,555	207,943	36,149	3,355	1,733	2,846	131	177
Under \$10,000,000 under \$25,000,000.....	4	14	1,114,286	372,926	41,422	48,803	3,535	3,535	1,546	1,546
\$25,000,000 under \$50,000,000.....	19	31	2,333,711	400,357	28,115	51,200	11,554	10,579	2,701	2,182
\$50,000,000 under \$100,000,000.....	19	32	19,122,298	3,485,592	289,089	362,146	43,028	43,716	133,267	43,133
\$100,000,000 or more.....	16	53	19,122,298	3,485,592	289,089	362,146	43,028	43,716	133,267	43,133
Holding and other investment companies, except bank holding companies.....	4	19	1,072,292	2,005,361	194,213	188,789	44,704	44,780	9,204	5,418
Under \$10,000,000.....	**	**	**	**	**	**	**	**	**	**
Under \$10,000,000 under \$25,000,000.....	3	7	112,963	115,735	3,047	7,564	1,471	1,465	7,235	**
\$25,000,000 under \$50,000,000.....	**	**	**	**	**	**	**	**	**	**
\$50,000,000 under \$100,000,000.....	**	**	**	**	**	**	**	**	**	**
\$100,000,000 or more.....	**	**	**	**	**	**	**	**	**	**
Service.....	38	193	6,506,722	3,442,246	534,595	619,133	142,817	143,970	175,254	51,399
Under \$10,000,000.....	16	30	761,566	174,414	27,249	7,374	6,973	6,973	2,972	1,675
Under \$10,000,000 under \$25,000,000.....	21	37	1,446,157	1,051,015	97,944	131,637	36,928	35,313	1,733	1,568
\$25,000,000 under \$50,000,000.....	21	37	1,385,120	1,051,015	97,944	101,765	42,241	42,241	123,445	9,944
\$50,000,000 under \$100,000,000.....	12	22	1,585,307	946,353	117,922	217,952	26,948	26,812	23,355	18,001
\$100,000,000 or more.....	7	11	1,910,912	969,229	207,717	210,209	26,948	26,812	23,355	18,001
Business services.....	10	64	1,487,140	969,229	82,710	93,343	35,695	36,917	15,534	12,794
Under \$10,000,000.....	4	12	104,102	50,966	15,603	15,603	18,607	20,439	10,633	12,794
Under \$10,000,000 under \$25,000,000.....	8	47	684,198	397,212	44,674	52,252	19,607	20,439	10,633	12,794
\$25,000,000 under \$50,000,000.....	4	4	238,978	157,158	14,674	14,694	6,211	6,211	1,732	**
\$50,000,000 under \$100,000,000.....	**	**	**	**	**	**	**	**	**	**
\$100,000,000 or more.....	**	**	**	**	**	**	**	**	**	**

\*Data deleted to avoid disclosure of information for specific corporation.  
\*\*Data may not add to total because of rounding and because agriculture, forestry, and fishing is not shown for U.S. parent corporations.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+)		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						before taxes				
						Earnings and profits before taxes	Foreign income taxes (net)			
All industries, total	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All geographic areas, total.....	714	7,500	740,395,679	589,884,940	56,590,619	62,966,595	19,229,025	19,034,715	21,730,762	4,223,316
Canada.....	432	640	112,056,545	103,143,161	8,793,748	9,295,667	3,470,221	3,419,265	3,411,443	170,847
Latin America, total.....	289	959	62,768,032	45,357,256	5,121,667	6,372,419	1,389,464	1,368,833	2,286,426	535,888
Brazil.....	157	279	19,104,216	21,047,487	2,388,146	2,911,436	856,325	860,282	981,442	41,708
Ecuador.....	9	150	536,915	88,958	20,045	20,572	3,817	3,801	7,198	-
Mexico.....	97	150	6,229,438	6,697,206	2,045	470,143	136,412	124,603	139,066	11,614
Panama (Including Canal Zone).....	66	156	20,881,082	7,401,268	1,419,962	1,548,580	104,714	102,313	115,114	402,008
Venezuela.....	56	69	1,782,997	1,014,946	101,946	1,62,156	54,739	55,464	49,992	1,448
Other Western Hemisphere, total.....	329	623	85,135,354	24,219,911	3,366,919	4,140,277	337,651	336,392	1,662,388	1,792,742
The Bahamas.....	39	59	7,400,370	7,173,147	423,881	651,985	121,316	121,487	307,889	69,053
Bermuda.....	202	311	25,679,727	10,300,485	1,408,581	1,737,363	57,998	54,269	76,854	510,669
Netherlands Antilles.....	186	250	51,886,232	7,545,540	1,750,929	1,750,929	158,349	160,337	792,646	1,213,621
Europe, total.....	490	3,696	383,735,353	328,082,275	30,411,912	33,066,322	10,750,527	10,626,741	11,374,996	1,444,519
Austria.....	37	48	3,534,008	3,616,766	347,267	359,364	77,664	77,593	210,467	52,480
Belgium.....	128	205	17,675,089	15,293,609	1,498,992	1,546,741	518,273	521,992	435,424	203,430
Denmark.....	41	50	2,089,266	2,804,282	330,293	345,431	137,242	137,153	143,041	4
Ecuador.....	236	447	30,325,386	41,244,103	2,632,199	2,959,605	1,185,480	1,154,336	760,910	3,221
France (Including Andorra).....	181	332	31,187,410	26,799,899	2,833,505	2,941,872	2,941,872	1,056,900	581,115	11,108
Italy (Including San Marino).....	181	332	31,187,410	26,799,899	2,833,505	2,941,872	2,941,872	1,056,900	581,115	11,108
Luxembourg.....	23	29	4,648,678	1,077,087	100,828	129,295	45,312	47,864	45,813	4,427
Netherlands.....	188	338	28,515,126	23,648,157	2,441,280	2,692,462	434,528	404,975	513,341	70,937
Norway.....	33	39	2,062,359	3,167,047	262,110	316,436	116,240	112,665	51,166	2,861
Spain.....	124	177	12,636,103	11,297,878	945,232	1,169,126	312,251	311,363	376,638	9,818
Sweden.....	57	69	3,086,842	3,822,891	381,429	405,195	220,336	215,324	119,348	15,948
Switzerland.....	135	225	29,238,465	21,754,231	2,325,876	2,390,760	281,419	285,423	933,387	624,226
United Kingdom.....	381	1,058	146,804,566	97,260,938	9,798,051	10,885,116	3,564,157	3,495,719	4,905,081	238,214
West Germany.....	244	512	64,478,587	68,645,539	5,508,139	5,850,534	2,647,352	2,630,013	1,908,247	182,636
Africa, total.....	124	291	12,872,138	10,594,605	1,104,119	1,394,050	361,295	373,877	405,383	45,701
Libria.....	46	69	6,815,134	5,615,134	153,614	336,708	6,196	6,196	41,936	45,343
South Africa (Including Namibia).....	70	88	2,882,167	4,572,014	291,614	356,851	9,623	10,301	151,727	24
OPEC countries.....	11	14	1,531,707	1,719,971	448,084	457,285	171,108	174,346	151,831	-
Asia, total.....	228	671	51,810,343	52,443,853	5,751,421	6,330,512	2,245,480	2,246,048	1,804,528	181,278
Hong Kong.....	97	145	16,135,149	6,086,086	1,037,828	1,037,828	150,187	150,334	406,895	90,521
Indonesia.....	13	16	742,012	2,735,798	505,394	519,157	286,400	286,661	6,300	-
Japan (Including Okinawa and Ryukyu).....	129	195	19,762,444	27,992,888	2,753,352	2,947,153	1,491,637	1,484,065	989,180	9,135
Middle East countries (excluding OPEC).....	16	23	691,150	400,624	60,417	60,417	10,817	10,817	7,595	-
OPEC countries (excluding Indonesia).....	10	12	1,098,155	179,065	-46,316	19,688	127	6,121	42,156	100
Philippines.....	30	34	1,261,351	1,741,794	141,773	149,729	63,729	65,555	56,993	8,563
Oceania, total.....	199	374	26,756,963	19,849,060	1,556,018	1,657,595	562,972	550,144	440,587	49,204
Australia.....	195	321	24,644,794	17,964,722	1,411,112	1,689,417	498,157	485,091	396,144	49,120
Puerto Rico and U.S. Possessions, total.....	53	86	5,231,952	5,594,799	484,815	509,743	111,414	111,414	145,010	3,137
OPEC countries, total (included above).....	75	120	5,413,786	6,411,432	1,029,152	1,178,860	516,190	526,392	257,477	1,548
Tax haven countries, total (included above).....	485	1,829	207,460,924	96,447,277	12,225,729	13,916,413	1,521,861	1,497,262	5,033,452	3,229,172

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Mining</b>										
All geographic areas, total.....	26	118	6,545,122	3,472,424	850,714	1,036,677	500,499	483,043	553,954	107,026
Canada.....	8	11	595,668	171,623	5,842	25,429	3,803	1,947	10,976	-
Latin America, total.....	11	29	1,224,757	513,756	-1,676	69,452	16,657	12,072	213,133	17,508
Brazil.....	3	5	363,596	177,556	27,818	27,831	9,397	9,397	10,000	-
Ecuador.....	-	-	-	-	-	-	-	-	-	-
Mexico.....	8	15	711,283	205,045	-32,099	30,808	2,687	-871	208,832	7,417
Panama (including Canal Zone).....	-	-	-	-	-	-	-	-	-	-
Venezuela.....	-	-	-	-	-	-	-	-	208,832	7,417
Other Western Hemisphere, total.....	13	22	1,625,572	397,419	224,242	227,962	64,985	65,151	151,274	30,425
The Bahamas.....	-	-	-	-	-	-	-	-	-	-
Bermuda.....	10	11	480,409	62,119	34,845	38,272	3,525	3,525	28,012	21,112
Netherlands Antilles.....	7	9	641,579	55,622	19,872	20,164	2,272	2,438	1,762	9,313
Europe, total.....	15	39	2,362,519	2,112,755	586,262	667,051	414,775	403,413	170,139	56,938
Austria.....	-	-	-	-	-	-	-	-	-	-
Belgium.....	-	-	-	-	-	-	-	-	-	-
Denmark.....	-	-	-	-	-	-	-	-	-	-
France (including Andorra).....	-	-	-	-	-	-	-	-	-	-
Italy (including San Marino).....	-	-	-	-	-	-	-	-	-	-
Luxembourg.....	-	-	-	-	-	-	-	-	-	-
Netherlands.....	3	6	194,426	171,486	10,391	19,778	5,188	5,160	-	7,792
Norway.....	-	-	-	-	-	-	-	-	-	-
Spain.....	-	-	-	-	-	-	-	-	-	-
Sweden.....	-	-	-	-	-	-	-	-	-	-
Switzerland.....	13	25	2,039,541	1,835,817	557,812	627,599	406,663	395,331	167,771	49,147
United Kingdom.....	-	-	-	-	-	-	-	-	-	-
West Germany.....	-	-	-	-	-	-	-	-	-	-
Africa, total.....	3	11	606,397	215,863	26,122	30,532	297	304	-	2,155
Liberia.....	3	10	589,053	215,863	26,528	30,532	297	304	-	2,155
South Africa (including Namibia).....	-	-	-	-	-	-	-	-	-	-
OPEC countries.....	-	-	-	-	-	-	-	-	-	-
Asia, total.....	-	-	-	-	-	-	-	-	-	-
Hong Kong.....	-	-	-	-	-	-	-	-	-	-
Indonesia.....	-	-	-	-	-	-	-	-	-	-
Japan (including Okinawa and Ryukyu).....	-	-	-	-	-	-	-	-	-	-
Middle East countries (excluding OPEC).....	-	-	-	-	-	-	-	-	-	-
OPEC countries (excluding Indonesia).....	-	-	-	-	-	-	-	-	-	-
Philippines.....	-	-	-	-	-	-	-	-	-	-
Oceania, total.....	3	3	100,071	52,685	11,941	16,244	270	270	8,433	-
Australia.....	3	3	100,071	52,685	11,941	16,244	270	270	8,433	-
Puerto Rico and U.S. Possessions, total.....	-	-	-	-	-	-	-	-	-	-
OPEC countries, total (included above).....	-	-	-	-	-	-	-	-	-	-
Tax haven countries, total (included above).....	19	56	3,159,861	1,023,662	230,087	310,242	73,190	69,777	360,105	47,879

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Metal mining</b>										
All geographic areas, total.....	3	18	637,713	324,631	38,415	58,669	9,619	9,530	22,970	12,553
Canada.....	-	-	-	-	-	-	-	-	-	-
Latin America, total.....	-	-	-	-	-	-	-	-	-	-
Brazil.....	-	-	-	-	-	-	-	-	-	-
Ecuador.....	-	-	-	-	-	-	-	-	-	-
Mexico.....	-	-	-	-	-	-	-	-	-	-
Panama (including Canal Zone).....	-	-	-	-	-	-	-	-	-	-
Venezuela.....	-	-	-	-	-	-	-	-	-	-
Other Western Hemisphere, total.....	-	-	-	-	-	-	-	-	-	-
The Bahamas.....	-	-	-	-	-	-	-	-	-	-
Bermuda.....	-	-	-	-	-	-	-	-	-	-
Netherlands Antilles.....	-	-	-	-	-	-	-	-	-	-
Europe, total.....	3	10	234,262	204,045	23,155	27,770	6,830	6,741	5,596	7,792
Austria.....	-	-	-	-	-	-	-	-	-	-
Belgium.....	-	-	-	-	-	-	-	-	-	-
Denmark.....	-	-	-	-	-	-	-	-	-	-
France (including Andorra).....	-	-	-	-	-	-	-	-	-	-
Italy (including San Marino).....	-	-	-	-	-	-	-	-	-	-
Luxembourg.....	-	-	-	-	-	-	-	-	-	-
Netherlands.....	-	-	-	-	-	-	-	-	-	-
Norway.....	-	-	-	-	-	-	-	-	-	-
Spain.....	-	-	-	-	-	-	-	-	-	-
Sweden.....	-	-	-	-	-	-	-	-	-	-
Switzerland.....	-	-	-	-	-	-	-	-	-	-
United Kingdom.....	-	-	-	-	-	-	-	-	-	-
West Germany.....	-	-	-	-	-	-	-	-	-	-
Africa, total.....	-	-	-	-	-	-	-	-	-	-
Liberia.....	-	-	-	-	-	-	-	-	-	-
South Africa (including Namibia).....	-	-	-	-	-	-	-	-	-	-
OPEC countries.....	-	-	-	-	-	-	-	-	-	-
Asia, total.....	-	-	-	-	-	-	-	-	-	-
Hong Kong.....	-	-	-	-	-	-	-	-	-	-
Indonesia.....	-	-	-	-	-	-	-	-	-	-
Japan (including Okinawa and Ryukyu).....	-	-	-	-	-	-	-	-	-	-
Middle East countries (excluding OPEC).....	-	-	-	-	-	-	-	-	-	-
OPEC countries (excluding Indonesia).....	-	-	-	-	-	-	-	-	-	-
Philippines.....	-	-	-	-	-	-	-	-	-	-
Oceania, total.....	-	-	-	-	-	-	-	-	-	-
Australia.....	-	-	-	-	-	-	-	-	-	-
Puerto Rico and U.S. Possessions, total.....	-	-	-	-	-	-	-	-	-	-
OPEC countries, total (included above).....	-	-	-	-	-	-	-	-	-	-
Tax haven countries, total (included above).....	3	7	265,975	148,740	20,090	24,290	4,459	4,348	1,697	12,553

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
						(6)	(7)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Oil and gas extraction										
All geographic areas, total.....	17	87	5,213,453	2,909,780	769,976	933,851	487,356	471,253	530,984	75,221
Canada.....	4	5	183,765	73,568	4,697	7,231	1,154	562	3,731	—
Latin America, total.....	10	27	947,634	436,269	-21,096	50,032	14,261	9,676	213,133	7,508
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	7	14	622,593	127,559	-37,434	25,472	2,594	-963	208,832	7,417
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	10	18	1,431,792	370,368	211,240	214,960	64,846	65,012	149,577	17,952
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	7	8	353,046	40,484	24,023	27,451	3,525	3,525	28,012	10,679
Netherlands Antilles.....	6	8	575,163	50,226	17,692	17,984	2,132	2,296	65	7,273
Europe, total.....	9	26	2,087,157	1,831,559	558,489	634,644	407,114	395,641	164,544	49,147
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	—	—	—	—	—	—	—	—	—	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	—	—	—	—	—	—	—	—	—	—
United Kingdom.....	6	17	1,930,032	1,693,612	545,536	614,908	403,369	392,015	162,175	49,147
West Germany.....	—	—	—	—	—	—	—	—	—	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	—	—	—	—	—	—	—	—	—	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	—	—	—	—	—	—	—	—	—	—
Australia.....	—	—	—	—	—	—	—	—	—	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	14	44	2,645,881	755,280	193,394	269,350	68,341	65,040	358,409	26,075

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
						(6)	(7)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All other mining										
All geographic areas, total.....	6	13	693,956	238,012	42,322	44,157	3,524	2,260	—	19,252
Canada.....	—	—	—	—	—	—	—	—	—	—
Latin America, total.....	—	—	—	—	—	—	—	—	—	—
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	—	—	—	—	—	—	—	—	—	—
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	—	—	—	—	—	—	—	—	—	—
Netherlands Antilles.....	—	—	—	—	—	—	—	—	—	—
Europe, total.....	3	3	41,100	77,151	4,638	4,638	831	831	—	—
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	—	—	—	—	—	—	—	—	—	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	—	—	—	—	—	—	—	—	—	—
United Kingdom.....	3	3	41,100	77,151	4,638	4,638	831	831	—	—
West Germany.....	—	—	—	—	—	—	—	—	—	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	—	—	—	—	—	—	—	—	—	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	—	—	—	—	—	—	—	—	—	—
Australia.....	—	—	—	—	—	—	—	—	—	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

**Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued**  
 [Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Construction</b>										
All geographic areas, total.....	11	61	2,714,072	2,166,376	181,484	219,067	50,275	39,800	91,461	26,163
Canada.....	7	12	283,844	276,794	52,294	56,240	20,080	18,944	32,790	4,291
Latin America, total.....	4	15	545,894	176,667	64,942	65,350	11,411	11,411	16,238	—
Brazil.....	3	9	146,707	68,382	7,346	7,753	1,145	1,145	1,735	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	6	10	640,293	81,317	33,121	35,869	5,200	5,253	—	18,251
The Bahamas.....	—	—	—	—	—	—	—	—	53	7,484
Bermuda.....	5	7	215,137	37,448	13,098	15,845	—	—	—	10,767
Netherlands Antilles.....	3	3	425,157	43,869	20,023	20,023	5,200	5,200	—	5,622
Europe, total.....	7	15	1,030,553	1,573,017	31,502	56,721	12,068	-3,245	40,561	—
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	3	3	303,342	591,890	-6,303	10,167	3,411	-10,414	10,211	202
Netherlands.....	—	—	—	—	—	—	—	—	—	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	—	—	—	—	—	—	—	—	—	—
United Kingdom.....	3	3	79,884	74,323	1,355	10,103	398	-1,110	—	—
West Germany.....	—	—	—	—	—	—	—	—	—	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	4	5	132,792	15,322	-1,351	1,607	91	6,033	1,025	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	3	4	80,696	43,258	976	3,280	1,405	1,405	846	—
Australia.....	3	4	80,696	43,258	976	3,280	1,405	1,405	846	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	10	19	1,132,770	703,904	44,867	64,381	14,025	252	10,211	23,873

Footnotes at end of table.

**Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued**  
 [Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Manufacturing</b>										
All geographic areas, total.....	391	5,519	480,905,879	498,581,337	48,577,456	53,532,633	16,916,946	16,776,485	19,419,131	3,254,710
Canada.....	301	506	80,630,364	83,647,467	7,440,371	7,846,023	2,977,900	2,933,198	3,106,143	147,788
Latin America, total.....	199	704	43,650,012	37,426,661	4,425,076	4,425,076	1,204,039	1,202,129	1,915,248	467,194
Brazil.....	127	217	16,366,745	19,525,923	2,248,274	2,248,274	2,692,952	792,301	941,625	31,708
Ecuador.....	8	8	240,769	88,799	16,821	16,821	3,817	3,817	7,198	—
Mexico.....	87	136	5,155,379	5,784,089	113,612	402,966	119,645	108,517	124,685	11,614
Panama (including Canal Zone).....	50	65	11,749,289	3,168,319	1,231,379	1,262,126	72,800	74,459	569,273	360,807
Venezuela.....	49	59	1,614,447	1,563,960	90,417	150,508	48,307	49,032	46,206	1,448
Other Western Hemisphere, total.....	176	365	45,800,950	14,135,307	1,799,821	2,369,752	156,213	155,985	1,073,175	1,099,217
The Bahamas.....	15	25	3,408,669	2,776,588	3,366	223,065	30,697	30,719	61,477	55,464
Bermuda.....	127	196	14,435,583	7,482,640	914,717	1,085,619	41,318	40,665	624,271	403,619
Netherlands Antilles.....	96	142	27,798,886	3,876,078	899,290	1,001,068	84,199	84,422	387,427	639,135
Europe, total.....	317	2,859	249,672,425	285,957,572	27,141,169	29,193,943	9,611,254	9,525,924	10,702,705	1,300,816
Austria.....	29	39	2,463,529	3,414,943	333,635	344,360	72,322	72,260	206,007	52,480
Belgium.....	99	160	11,943,365	13,821,068	1,395,428	1,424,574	493,034	496,276	416,160	203,315
Denmark.....	35	42	1,881,777	2,175,351	321,698	338,422	135,623	135,534	139,210	4
France (including Andorra).....	196	379	23,863,778	37,556,084	2,530,654	2,837,584	1,141,046	1,111,114	741,553	3,221
Italy (including San Marino).....	144	278	19,016,182	23,449,179	2,602,332	2,688,210	929,992	933,301	560,443	11,108
Netherlands.....	150	272	23,710,640	20,663,322	2,264,075	2,427,741	393,322	383,416	473,968	60,590
Luxembourg.....	27	33	3,179,749	3,103,774	266,946	315,818	116,210	112,613	51,168	2,851
Norway.....	101	146	8,925,046	10,611,554	905,949	1,094,271	297,822	298,041	371,390	2,816
Spain.....	49	60	2,718,828	3,805,227	383,064	398,843	219,074	214,388	118,669	15,948
Sweden.....	99	162	15,744,314	14,516,737	1,901,535	1,944,654	293,071	257,058	909,436	585,781
Switzerland.....	247	687	82,545,474	80,845,617	8,192,422	8,826,124	2,851,478	2,851,478	4,470,937	184,533
United Kingdom.....	60	67	8,734,963	63,800,677	5,004,121	5,333,383	2,468,724	2,471,225	1,818,602	142,668
West Germany.....	198	435	47,734,963	63,800,677	5,004,121	5,333,383	2,468,724	2,471,225	1,818,602	142,668
Africa, total.....	91	174	9,495,192	9,011,021	1,004,194	1,219,364	333,669	333,213	942,226	37,431
Liberia.....	24	38	4,765,321	1,759,332	135,439	250,353	2,967	3,014	39,424	37,467
South Africa (including Namibia).....	62	80	2,088,842	3,760,254	240,359	304,999	76,377	83,010	107,580	24
OPEC countries.....	10	13	1,471,725	1,754,703	448,094	457,265	171,108	174,115	151,545	—
Asia, total.....	159	526	38,919,537	47,925,223	5,237,867	5,724,175	2,088,342	2,088,260	1,730,844	160,255
Hong Kong.....	52	77	5,095,252	4,053,252	534,053	638,670	80,811	80,996	364,465	69,498
Indonesia.....	11	11	659,841	2,722,175	504,055	515,554	285,592	285,744	5,858	—
Japan (including Okinawa and Ryukyu).....	98	168	17,897,588	26,932,443	2,717,458	2,851,511	1,437,307	1,429,623	977,155	9,135
Middle East countries (excluding OPEC).....	13	19	597,098	349,490	56,071	76,999	8,398	10,165	3,362	4,491
OPEC countries (excluding Indonesia).....	6	8	965,345	145,648	-30,191	18,387	—	—	42,156	100
Philippines.....	28	30	614,333	932,234	111,446	118,057	41,723	42,156	47,105	8,563
Oceania, total.....	144	250	13,282,834	15,273,878	1,102,563	1,353,610	455,800	443,318	404,280	39,380
Australia.....	140	213	12,828,634	14,564,977	982,710	1,212,088	406,959	391,616	361,699	39,304
Puerto Rico and U.S. Possessions, total.....	28	55	2,454,565	5,201,209	426,393	450,420	99,727	99,727	144,510	2,569
OPEC countries, total (included above).....	61	99	4,952,128	6,275,286	1,029,196	1,159,083	509,214	512,744	252,963	1,548
Tax haven countries, total (included above).....	272	1,173	118,326,079	68,237,381	9,261,830	10,374,169	1,122,506	1,112,889	3,869,515	2,411,408

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Food and kindred products										
All geographic areas, total.....	28	465	27,896,849	30,572,937	3,158,393	3,348,388	1,026,919	1,012,356	1,157,341	169,057
Canada.....	21	48	3,532,318	4,864,709	317,260	367,284	137,852	131,630	61,197	730
Latin America, total.....	19	*71	1,946,731	2,774,224	256,097	277,241	61,850	63,286	105,559	28,237
Brazil.....	7	18	409,351	558,084	76,088	81,682	17,648	19,101	46,099	—
Ecuador.....	6	8	264,006	328,370	48,584	50,734	15,949	15,949	1,445	3,605
Mexico.....	6	8	317,349	89,601	36,702	37,993	231	1,134	18,744	18,171
Panama (including Canal Zone).....	6	10	218,286	254,698	20,326	22,892	4,778	3,777	13,712	—
Venezuela.....	7	10	218,286	254,698	20,326	22,892	4,778	3,777	13,712	—
Other Western Hemisphere, total.....	12	27	4,968,927	466,506	112,252	141,720	18,705	19,062	120,242	48,402
The Bahamas.....	6	10	456,968	224,722	57,058	57,763	4,101	4,101	111,444	30,351
Bermuda.....	6	10	456,968	224,722	57,058	57,763	4,101	4,101	111,444	30,351
Netherlands Antilles.....	9	17	4,511,959	241,783	55,194	83,957	14,604	14,961	8,798	16,040
Europe, total.....	24	258	13,873,028	19,294,426	1,720,646	1,798,556	509,483	499,263	530,137	48,802
Austria.....	8	24	677,701	1,224,009	77,075	78,851	24,921	24,913	13,093	—
Belgium.....	6	6	175,669	251,395	17,743	17,743	6,993	6,993	5,277	—
Denmark.....	5	6	175,669	251,395	17,743	17,743	6,993	6,993	5,277	—
France (including Andorra).....	15	39	1,875,296	3,559,504	172,729	179,902	81,863	81,863	11,589	—
Italy (including San Marino).....	6	18	966,184	1,628,042	154,245	157,405	55,172	55,988	35,059	—
Luxembourg.....	13	35	2,243,769	2,145,969	231,208	237,250	59,462	61,089	100,345	545
Netherlands.....	10	27	4,511,959	241,783	55,194	83,957	14,604	14,961	8,798	16,040
Norway.....	12	20	509,782	781,526	83,964	94,743	23,432	23,350	28,643	3
Spain.....	12	20	509,782	781,526	83,964	94,743	23,432	23,350	28,643	3
Sweden.....	6	7	371,354	803,691	74,441	74,441	7,652	7,652	5,871	3,453
Switzerland.....	16	51	4,659,203	5,096,499	570,224	580,745	129,730	126,622	140,601	44,078
United Kingdom.....	5	37	1,523,772	2,946,944	191,301	224,367	113,856	103,867	99,863	25
West Germany.....	15	37	1,523,772	2,946,944	191,301	224,367	113,856	103,867	99,863	25
Africa, total.....	5	11	293,786	172,816	45,729	47,579	6,642	6,642	11,276	2
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	11	24	1,173,302	2,492,549	359,184	364,577	146,979	147,063	178,803	38,122
Hong Kong.....	3	4	243,112	297,982	83,622	83,622	113	113	46,548	38,116
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	7	9	743,609	1,911,912	246,352	249,593	134,991	134,991	117,261	6
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	4	5	80,930	134,122	10,251	10,251	3,339	3,339	1,692	—
Oceania, total.....	10	25	2,098,724	1,175,567	344,933	349,138	142,398	142,398	150,127	6,762
Australia.....	10	25	2,098,724	1,175,567	344,933	349,138	142,398	142,398	150,127	6,762
Puerto Rico and U.S. Possessions, total.....	7	11	234,353	259,396	21,207	23,773	4,863	3,861	13,712	—
OPEC countries, total (included above).....	7	11	234,353	259,396	21,207	23,773	4,863	3,861	13,712	—
Tax haven countries, total (included above).....	20	93	8,601,709	4,162,306	556,521	599,693	88,248	91,219	300,852	113,671

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Chemicals and allied products										
All geographic areas, total.....	66	1,219	83,333,756	69,913,558	8,961,140	9,630,212	2,947,215	2,946,716	3,567,805	865,057
Canada.....	55	99	7,848,832	7,848,832	882,052	942,802	321,448	320,117	506,770	20,718
Latin America, total.....	44	187	9,427,173	6,466,935	1,161,963	1,301,211	266,657	269,141	378,099	146,164
Brazil.....	36	58	3,510,811	3,142,354	513,154	558,365	126,215	126,580	149,253	2,001
Ecuador.....	26	37	1,004,806	1,178,156	97,125	127,828	57,422	56,652	60,280	8,000
Mexico.....	14	24	2,325,000	825,322	404,632	410,053	38,225	38,009	120,643	126,485
Panama (including Canal Zone).....	15	17	282,398	280,125	22,814	36,799	12,830	14,245	11,607	708
Venezuela.....	25	33	6,682,866	1,034,981	390,958	423,131	9,164	9,587	105,479	154,855
Other Western Hemisphere, total.....	3	3	260,812	315,326	40,081	40,081	255	265	7,300	1,306
The Bahamas.....	3	3	260,812	315,326	40,081	40,081	255	265	7,300	1,306
Bermuda.....	25	39	3,122,451	504,743	235,042	269,215	1,962	2,395	26,644	65,491
Netherlands Antilles.....	15	21	3,279,604	214,912	115,834	115,834	6,937	6,937	71,534	88,058
Europe, total.....	56	632	50,557,254	44,702,171	5,414,694	5,736,550	1,995,344	1,989,035	2,238,016	535,161
Austria.....	33	52	2,973,748	3,402,389	303,931	313,929	114,319	114,319	78,183	36,682
Belgium.....	4	4	147,913	176,927	25,528	25,528	8,845	8,845	3,274	—
Denmark.....	47	96	4,332,917	6,623,731	648,869	698,056	304,423	306,198	151,542	12
France (including Andorra).....	39	74	3,700,407	3,972,446	469,828	505,496	148,766	149,777	78,752	1,374
Italy (including San Marino).....	3	5	351,157	213,335	38,098	39,098	17,726	19,443	36,907	1,179
Luxembourg.....	31	48	3,909,619	3,487,227	390,429	399,663	89,934	91,148	47,056	3,461
Netherlands.....	30	39	1,383,077	1,648,552	129,057	138,532	31,682	31,682	52,503	210
Norway.....	10	12	375,389	742,539	17,879	17,879	9,798	10,326	4,208	—
Spain.....	26	55	6,192,550	4,976,601	939,033	941,538	62,481	62,888	562,226	402,487
Switzerland.....	46	126	20,567,121	11,073,999	1,457,827	1,597,025	684,085	648,219	759,548	75,290
United Kingdom.....	4	4	67,792	57,589	22,931	22,931	4,568	4,568	3,362	4,491
West Germany.....	41	85	5,026,923	7,578,335	788,453	812,105	322,044	321,375	423,637	4,520
Africa, total.....	23	36	972,999	925,389	115,767	127,375	38,341	38,604	26,270	3
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	19	23	440,176	614,929	41,333	46,142	12,410	12,673	10,837	3
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	40	140	6,234,023	6,206,971	751,243	793,756	249,667	252,996	245,446	23,515
Hong Kong.....	14	18	588,498	683,293	73,511	77,700	13,917	13,917	75,507	9,161
Indonesia.....	3	4	57,677	50,074	-5,619	927	—	—	—	—
Japan (including Okinawa and Ryukyu).....	31	4	4,172,606	3,928,215	514,092	533,109	189,474	190,973	100,438	9,016
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	8	9	189,821	325,940	39,785	40,446	14,602	15,156	20,333	—
Oceania, total.....	33	53	1,335,924	1,591,086	132,819	169,842	43,818	44,451	57,649	2,229
Australia.....	33	43	1,208,638	1,417,369	119,487	155,851	39,514	39,856	54,471	2,229
Puerto Rico and U.S. Possessions, total.....	8	9	332,889	1,138,192	131,644	131,644	22,778	22,778	10,076	2,412
OPEC countries, total (included above).....	17	26	552,616	473,562	48,056	68,801	21,950	23,735	34,594	708
Tax haven countries, total (included above).....	49	235	21,895,479	11,507,267	2,321,733	2,398,543	235,724	239,280	950,411	707,221

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Petroleum (including integrated) and coal products										
All geographic areas, total	24	478	104,965,557	122,047,928	12,336,432	13,365,794	4,308,326	4,239,572	5,971,961	1,086,261
Canada	19	54	25,105,014	14,709,739	2,498,938	2,520,571	918,141	917,179	1,367,664	87,005
Latin America, total	13	49	10,118,569	9,116,658	920,833	976,875	103,486	104,526	375,467	185,225
Brazil	9	15	1,240,416	5,073,694	187,059	187,238	63,660	63,955	44,347	1,235
Ecuador										
Mexico	5	14	7,824,987	1,848,876	707,381	707,408	19,477	19,477	292,934	179,557
Panama (including Canal Zone)										
Venezuela										
Other Western Hemisphere, total	21	78	14,689,954	8,966,272	416,865	767,988	78,156	77,147	521,380	360,997
The Bahamas	5	15	2,942,474	2,383,955	98,497	121,201	29,656	29,738	14,597	53,879
Bermuda	5	17	5,754,073	5,768,337	271,682	383,429	20,908	19,818	375,036	155,161
Netherlands Antilles	12	17	813,980	613,980	261,234	263,358	27,592	27,592	131,747	151,957
Europe, total	20	181	37,873,629	63,567,004	6,118,206	6,461,804	2,241,272	2,172,009	2,918,289	397,603
Austria	3	6	461,807	1,236,738	138,742	138,742	21,463	21,463	183,157	119,654
Belgium	6	8	1,255,421	2,615,055	303,374	304,855	113,937	113,605	163,157	51,285
Denmark	4	5	215,222	301,066	25,270	30,700	1,056	1,056	96,825	150
France (including Andorra)	6	15	3,174,873	8,913,728	308,981	354,868	110,603	74,684	3,631	128
Italy (including San Marino)	4	8	1,664,498	6,930,069	188,850	188,850	24,760	24,760		
Luxembourg										
Netherlands	9	19	5,144,381	3,801,276	110,664	145,577	-23,358	-20,377	1,200	15,583
Norway	7	9	605,049	1,331,566	98,947	138,608	49,688	49,688	1,470	2,861
Spain	4	6	193,815	417,379	25,849	25,849	6,824	6,824	1,783	53,879
Sweden	3	3	342,665	355,946	54,660	54,660	28,343	28,343	7,018	15,825
Switzerland	4	6	631,071	819,129	76,508	76,508	11,592	11,592	6,359	32,075
United Kingdom	17	63	15,400,837	20,125,953	3,430,306	3,599,431	1,035,858	999,891	2,076,399	32,042
West Germany	9	21	6,211,097	5,827,313	1,236,900	1,282,520	819,933	819,920	363,926	127,900
Africa, total	13	55	3,770,521	1,396,568	648,320	787,947	194,093	203,042	242,151	29,618
Liberia	11	22	3,770,521	1,396,568	62,995	173,286	2,908	2,887	26,874	29,618
South Africa (including Namibia)	5	7	1,371,097	1,843,941	423,913	431,093	159,398	161,929	143,288	
OPEC countries (excluding OPEC)	9	40	8,378,137	14,419,964	1,572,355	1,846,261	717,700	710,196	475,266	25,606
Asia, total	4	13	2,969,503	1,540,813	285,348	340,331	50,170	50,170	203,691	2,579
Hong Kong										
Indonesia	3	7	3,274,951	7,353,125	513,733	528,060	289,716	282,181	155,339	
Japan (including Okinawa and Ryukyu)										
Middle East countries (excluding OPEC)										
OPEC countries (excluding Indonesia)										
Philippines										
Oceania, total	5	14	1,295,508	2,986,425	101,981	121,141	28,650	28,650	18,935	207
Australia	3	8	1,022,614	2,423,886	87,084	87,084	25,924	25,924		
Puerto Rico and U.S. Possessions, total	3	7	1,293,647	2,454,552	58,933	81,406	26,828	26,828	32,789	
OPEC countries, total (included above)	6	12	1,954,251	4,284,828	936,713	945,087	443,491	446,023	147,538	
Tax haven countries, total (included above)	23	172	36,691,963	20,987,011	1,900,772	2,449,807	179,398	181,382	1,278,862	699,154

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Primary metal industries										
All geographic areas, total	23	208	11,490,847	11,366,312	391,450	821,587	168,758	172,463	190,393	100,219
Canada	15	37	2,021,273	1,391,974	139,370	143,671	54,806	58,143	14,952	
Latin America, total	10	22	908,900	713,558	-288,477	79,106	7,227	7,227	5,382	13,742
Brazil	4	5	397,993	402,348	-336,462	23,818	201	201	872	64
Ecuador										
Mexico										
Panama (including Canal Zone)	4	6	315,617	102,130	18,875	19,920	842	842		11,835
Venezuela										
Other Western Hemisphere, total	12	28	1,631,323	156,277	75,461	80,767	390	390	4,700	62,663
The Bahamas										
Bermuda	12	16	437,358	54,559	20,102	24,866			1,200	12,899
Netherlands Antilles	4	11	1,037,308	94,624	53,641	54,182	390	390	3,500	48,486
Europe, total	16	94	4,530,858	7,681,888	283,701	325,592	70,966	72,560	138,968	16,327
Austria	5	6	258,069	556,464	14,713	16,050	4,232	4,232		
Denmark										
France (including Andorra)	9	10	298,253	690,023	20,542	22,331	8,977	8,976	836	
Italy (including San Marino)	5	10	266,326	349,033	34,631	34,631	8,133	8,133	703	
Luxembourg										
Netherlands	4	11	1,075,271	631,878	70,267	74,569	11,724	11,724	99,579	8,945
Norway										
Spain										
Sweden										
Switzerland	3	3	47,276	51,223	2,520	2,991	321	321		
United Kingdom	10	33	1,728,387	4,785,593	89,014	97,340	27,241	29,110	11,575	850
West Germany	7	16	572,350	425,338	37,511	47,740	2,510	2,236	19,928	6,533
Africa, total	8	8	250,179	213,336	14,882	16,219	5,713	5,781	1,565	850
Liberia										
South Africa (including Namibia)	3	3	31,337	86,617	2,145	2,314	223	223	1,565	
OPEC countries										
Asia, total	7	13	534,169	320,363	57,966	67,685	8,144	8,850	9,890	3,518
Hong Kong										
Indonesia	4	7	407,853	202,128	18,587	24,426	5,634	6,339	167	
Japan (including Okinawa and Ryukyu)										
Middle East countries (excluding OPEC)										
OPEC countries (excluding Indonesia)										
Philippines										
Oceania, total	4	5	1,558,179	874,389	106,399	106,399	20,856	20,856	14,969	3,119
Australia	3	4	1,545,272	874,298	106,328	106,328	20,856	20,856	14,969	3,048
Puerto Rico and U.S. Possessions, total										
OPEC countries, total (included above)										
Tax haven countries, total (included above)	17	59	3,365,300	1,134,988	207,038	236,068	14,651	14,719	113,358	89,654

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of Incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Machinery, except electrical										
All geographic areas, total.....	45	725	69,531,377	58,664,442	8,821,770	9,625,964	3,600,264	3,523,516	3,747,000	198,933
Canada.....	37	63	5,810,257	5,213,130	649,018	705,940	304,510	293,463	246,128	10,080
Latin America, total.....	26	92	5,283,302	3,126,239	699,749	810,552	333,310	334,296	403,944	17,562
Brazil.....	18	25	2,881,852	1,807,939	551,870	577,941	263,782	264,396	161,209	204
Ecuador.....										
Mexico.....	13	19	771,285	588,479	11,867	46,991	14,330	13,554	45,826	2,726
Panama (Including Canal Zone).....	7	13	304,617	74,002	-9,756	13,207	4,952	5,924	17,302	
Venezuela.....	8	10	272,755	99,618	11,798	23,367	9,151	9,308	4,395	
Other Western Hemisphere, total.....	22	44	3,242,832	695,833	123,590	185,797	18,367	18,367	85,445	103,489
The Bahamas.....										
Bermuda.....	16	24	1,009,739	395,295	102,015	105,874	8,743	8,743	46,416	39,390
Netherlands Antilles.....	15	19	2,224,496	277,235	15,224	72,553	8,721	8,721	33,029	64,099
Europe, total.....	43	407	45,980,141	38,246,590	5,938,167	6,394,521	2,246,105	2,177,064	2,335,383	57,164
Austria.....	9	10	614,211	477,118	70,796	70,796	34,417	26,833	16,764	
Belgium.....	13	21	1,870,314	1,926,541	200,812	211,005	58,813	93,865	124,571	
Denmark.....	7	9	712,259	609,292	193,667	193,667	93,865	351,605	369,839	461
France (Including Andorra).....	29	53	6,223,172	5,926,516	777,202	900,592	353,215	351,605	369,839	461
Italy (Including San Marino).....	19	34	4,617,198	3,414,764	1,066,825	1,074,282	427,498	427,543	325,825	
Luxembourg.....										
Netherlands.....	26	44	3,247,982	2,169,361	414,014	469,228	107,419	89,903	59,439	3,682
Norway.....	7	8	423,312	430,427	86,190	87,813	35,650	35,041	25,487	
Spain.....	12	17	1,465,430	1,496,254	430,427	430,427	386,359	117,437	166,364	1,495
Sweden.....	15	17	1,051,518	890,782	220,970	225,553	127,155	126,680	81,266	13,492
Switzerland.....	17	27	3,404,646	2,664,549	268,146	295,498	75,602	78,057	106,375	308
United Kingdom.....	37	94	11,046,801	10,595,518	938,732	1,125,965	286,654	248,043	373,081	
West Germany.....	31	53	9,990,653	6,776,082	1,090,498	1,128,170	484,370	459,267	392,057	
Africa, total.....	13	17	493,698	578,773	81,731	84,795	40,990	40,767	10,554	
Liberia.....										
South Africa (Including Namibia).....	11	12	395,085	535,947	73,916	74,969	36,569	35,872	7,372	
OPEC countries.....	3	3	63,054	34,875	4,356	6,367	2,607	2,607	3,182	
Asia, total.....	24	66	7,205,248	8,784,616	1,128,703	1,220,660	572,798	576,394	601,135	8,338
Hong Kong.....	8	9	457,436	324,120	37,760	39,232	3,195	965	785	
Indonesia.....	3	3	38,650	30,361	-159	155				2
Japan (Including Okinawa and Ryukyu).....	15	17	4,498,756	7,358,847	959,726	978,433	532,146	532,266	512,173	
Middle East countries (excluding OPEC).....										
OPEC countries (excluding Indonesia).....										
Philippines.....										
Oceania, total.....	23	31	1,532,335	1,837,940	169,851	192,193	78,622	77,581	49,744	2,301
Australia.....	23	26	1,376,674	1,715,630	122,300	144,541	56,048	55,007	36,674	2,301
Puerto Rico and U.S. Possessions, total.....	5	5	83,563	121,320	28,953	31,507	5,561	5,561	14,668	
OPEC countries, total (included above).....	11	19	1,225,516	164,785	-21,069	37,290	15,458	15,874	15,874	
Tax haven countries, total (included above).....	38	170	11,930,984	6,811,091	988,371	1,174,960	257,271	243,989	553,704	167,320

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of Incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Electrical and electronic equipment										
All geographic areas, total.....	44	713	46,874,023	46,842,782	4,112,571	4,713,012	1,037,298	1,023,698	1,143,683	269,031
Canada.....	33	62	5,346,156	5,079,079	460,258	488,766	138,712	136,355	86,334	3,312
Latin America, total.....	21	63	2,499,861	1,964,891	365,060	395,894	99,817	62,321	65,575	21,795
Brazil.....	10	18	1,137,289	1,206,019	233,336	233,336	49,359	49,573	41,575	6,656
Ecuador.....										
Mexico.....	14	21	408,823	380,175	17,939	36,017	7,456	9,599	6,499	
Panama (Including Canal Zone).....										
Venezuela.....										
Other Western Hemisphere, total.....	14	31	4,871,983	598,236	226,457	227,031	3,778	3,780	89,341	118,324
The Bahamas.....										
Bermuda.....	11	16	1,297,622	234,934	127,692	128,266	2,236	2,240	26,000	26,943
Netherlands Antilles.....	8	14	3,463,372	359,025	97,084	97,084	1,686	1,686	63,341	91,381
Europe, total.....	35	393	29,146,505	29,590,289	2,324,320	2,699,084	621,664	621,060	775,294	106,742
Austria.....	4	5	252,511	144,829	7,725	16,952	4,144	4,144	3,040	
Belgium.....	7	10	970,436	1,102,912	72,982	72,982	21,335	20,924	4,951	
Denmark.....	5	7	319,392	311,694	5,585	14,869	6,631	6,631	424	
France (Including Andorra).....	25	46	1,459,135	2,375,317	48,572	86,818	32,340	33,622	8,230	2,474
Italy (Including San Marino).....	18	46	2,700,832	2,440,575	200,733	221,851	70,598	72,314	37,144	9,084
Luxembourg.....										
Netherlands.....	17	40	3,877,503	5,009,418	689,890	706,086	104,314	102,134	81,910	22,025
Norway.....										
Spain.....	7	14	895,244	826,005	-92,619	25,990	3,903	4,242	20,155	1,010
Sweden.....	5	8	288,774	449,960	38,018	45,039	23,998	20,290	12,327	
Switzerland.....	13	17	2,178,622	1,205,433	270,381	270,938	30,279	30,279	68,783	62,301
United Kingdom.....	29	87	8,470,317	5,918,835	425,116	494,523	101,331	109,144	199,084	7,211
West Germany.....	27	83	6,658,944	8,425,485	528,394	608,475	219,338	236,342	280,540	112
Africa, total.....	5	8	101,956	115,779	15,271	15,271	6,016	6,016	10,574	
Liberia.....										
South Africa (Including Namibia).....	5	7	87,992	115,779	14,576	14,576	6,009	6,009	9,574	
OPEC countries.....										
Asia, total.....	24	101	5,780,743	8,309,022	649,213	784,903	166,179	159,077	90,974	18,857
Hong Kong.....	6	8	238,070	455,935	16,756	28,386	3,259	3,426	5,409	387
Indonesia.....										
Japan (Including Okinawa and Ryukyu).....	16	24	1,747,981	2,361,271	198,917	240,297	127,930	122,300	65,065	
Middle East countries (excluding OPEC).....	4	6	197,243	134,889	-5,306	8,433	3,414	2,727		
OPEC countries (excluding Indonesia).....	3	5	91,175	84,191	1,604	6,748			8,516	100
Philippines.....	6	8	114,778	188,279	-2,657	3,042	722	1,806	483	
Oceania, total.....	15	30	774,296	1,004,676	30,034	59,605	22,948	16,800	21,880	
Australia.....	15	27	733,293	940,045	22,389	51,950	19,654	13,611	20,826	
Puerto Rico and U.S. Possessions, total.....	3	25	352,522	190,610	41,967	41,967	18,290	18,290	1,710	
OPEC countries, total (included above).....	3	9	235,561	119,926	-8,607	8,608	666	813	11,516	100
Tax haven countries, total (included above).....	30	129	13,404,136	9,678,815	1,599,908	1,656,597	153,353	149,989	258,618	227,571

Footnotes at end of table.

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[Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Motor vehicles and equipment										
All geographic areas, total.....	14	268	63,075,879	81,901,610	3,279,031	3,854,659	1,294,430	1,364,034	1,437,032	186,616
Canada.....	14	42	18,725,407	21,822,655	1,299,547	1,331,152	602,207	602,128	295,638	10,673
Latin America, total.....	9	54	7,220,273	7,989,675	435,622	641,749	84,849	77,153	304,668	18,790
Brazil.....	6	21	3,789,715	4,414,422	435,431	438,194	89,366	89,551	302,881	—
Ecuador.....	7	22	2,002,325	2,589,539	-91,099	79,453	-7,989	-17,367	1,786	—
Mexico.....	3	3	355,729	508,827	573	13,330	—	1	—	—
Panama (including Canal Zone).....	3	3	4,501,865	1,482,161	207,358	220,293	9,156	9,156	16,825	149,531
Venezuela.....	7	8	653,843	63,582	48,982	49,158	156	156	16,825	38,459
Other Western Hemisphere, total.....	8	15	4,501,865	1,482,161	207,358	220,293	9,156	9,156	16,825	149,531
The Bahamas.....	7	8	653,843	63,582	48,982	49,158	156	156	16,825	38,459
Bermuda.....	3	7	3,848,023	1,418,598	158,376	171,135	9,002	9,002	111,072	—
Netherlands Antilles.....	3	7	3,848,023	1,418,598	158,376	171,135	9,002	9,002	111,072	—
Europe, total.....	12	123	29,006,299	36,101,532	1,251,174	1,416,537	552,958	629,089	814,274	7,422
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	8	19	1,855,375	3,395,542	118,299	119,494	54,793	54,639	42,006	—
Italy (including San Marino).....	5	7	1,039,377	719,260	16,540	20,586	8,608	6,905	4,036	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	6	14	1,391,304	715,314	103,683	107,624	20,396	20,396	34,611	11
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	4	9	2,802,928	3,573,044	171,848	210,040	63,865	63,865	73,931	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	3	7	328,201	394,930	19,010	19,010	2,699	2,699	5,303	1,165
United Kingdom.....	8	20	8,849,319	7,342,097	125,587	191,485	49,566	128,171	592,111	6,246
West Germany.....	6	17	9,603,030	15,853,592	469,489	477,443	267,534	266,532	15,662	—
Africa, total.....	4	4	150,938	231,347	-46,466	6,073	2,965	2,971	569	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	4	4	150,938	231,347	-46,466	6,073	2,965	2,971	569	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	4	8	1,022,046	1,251,069	116,175	125,650	8,764	10,917	—	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	3	5	429,659	594,612	6,864	15,583	8,065	10,206	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	7	21	2,424,676	3,014,039	14,991	112,576	33,378	32,467	4,656	—
Australia.....	7	16	2,205,753	2,604,722	-5,082	90,654	22,870	22,148	106	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	3	3	355,729	508,827	573	13,330	—	1	—	—
Tax haven countries, total (included above).....	10	45	7,825,259	3,887,435	544,552	563,707	32,272	32,207	56,740	169,498

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
[Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Transportation equipment, except motor vehicles										
All geographic areas, total.....	16	172	8,345,037	7,782,400	890,861	1,044,625	284,066	275,736	316,550	55,366
Canada.....	7	17	2,157,733	1,747,866	183,664	268,719	94,326	90,090	45,364	—
Latin America, total.....	5	8	288,325	281,212	37,264	37,264	19,505	19,505	—	322
Brazil.....	4	5	202,426	201,353	28,132	28,132	15,339	15,339	—	322
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	11	12	790,037	96,238	17,069	24,017	1,300	1,300	4,754	11,364
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	7	7	513,952	63,667	11,122	18,070	—	—	380	6,920
Netherlands Antilles.....	5	5	276,065	32,571	5,947	5,947	1,300	1,300	4,374	4,444
Europe, total.....	11	103	3,553,924	3,501,540	330,116	381,059	113,599	109,152	108,036	17,493
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	8	16	619,739	814,251	50,024	65,356	19,504	18,237	10,247	—
Italy (including San Marino).....	4	20	814,837	691,087	89,922	89,837	30,636	30,637	7,437	407
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	5	8	126,701	142,670	8,250	17,330	1,987	1,575	—	510
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	4	6	196,387	143,279	17,339	17,339	1,924	1,924	17,098	1,878
United Kingdom.....	9	27	1,076,684	856,015	95,478	108,633	34,618	31,849	22,483	14,648
West Germany.....	7	16	471,821	533,896	42,377	49,750	16,618	16,618	45,742	—
Africa, total.....	3	6	67,230	81,409	10,169	11,344	4,453	4,453	1,572	1,592
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	4	18	920,610	689,426	173,537	174,315	19,835	19,835	20,654	24,413
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	4	6	376,133	233,508	17,944	26,810	11,438	11,791	52,903	203
Australia.....	4	6	376,133	233,508	17,944	26,810	11,438	11,791	52,903	203
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	13	38	1,836,800	752,065	203,157	219,617	15,449	15,038	42,270	39,756

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Instruments and related products										
All geographic areas, total.....	15	259	14,311,977	17,638,795	1,727,606	1,815,486	552,105	552,305	145,103	77,587
Canada.....	11	16	767,621	1,241,312	77,060	79,937	35,412	34,944	4,898	151
Latin America, total.....	5	30	1,061,742	1,059,085	145,573	154,590	40,714	39,412	10,544	23,539
Brazil.....	8	8	490,260	508,179	96,179	96,179	20,762	20,762	6,281	20,699
Ecuador.....	5	7	219,096	230,341	15,252	19,545	13,229	11,927	221	8
Mexico.....	3	4	81,408	89,833	7,940	7,940	2,439	2,439	2,500	721
Panama (Including Canal Zone).....	3	3	47,248	78,003	4,694	4,694	1,137	1,137	737	740
Venezuela.....	3	3	47,248	78,003	4,694	4,694	1,137	1,137	737	740
Other Western Hemisphere, total.....	7	11	536,717	33,833	28,634	29,566	367	367	1,333	8,619
The Bahamas.....	4	5	158,681	5,162	4,077	5,009	357	357	1,333	4,325
Bermuda.....	4	5	369,576	27,610	24,335	24,335	357	357	1,333	4,295
Netherlands Antilles.....	4	4	5	5	5	5	5	5	5	5
Europe, total.....	13	140	9,168,969	12,435,154	1,204,355	1,241,063	394,107	393,811	119,960	37,833
Austria.....	4	4	103,309	15,398	15,398	15,398	4,862	4,862	2,785	1,195
Belgium.....	5	6	712,277	526,430	173,336	174,682	54,186	54,186	11,054	1,569
Denmark.....	10	16	1,217,587	1,622,138	118,358	121,653	54,280	60,079	9,889	125
France (Including Andorra).....	10	12	557,419	695,640	115,311	115,311	44,701	44,701	17,321	312
Italy (Including San Marino).....	8	10	665,878	759,235	74,512	75,805	-432	-742	21,887	5,656
Netherlands.....	6	6	232,863	279,456	45,775	45,775	11,490	11,490	51	51
Norway.....	6	6	232,863	279,456	45,775	45,775	11,490	11,490	51	51
Spain.....	4	4	141,321	257,695	17,103	17,103	9,159	9,159	2,878	21
Sweden.....	7	13	834,520	2,291,533	92,472	97,226	23,696	23,696	25,153	27,127
Switzerland.....	11	26	1,955,459	2,605,648	159,076	172,257	72,055	66,622	5,422	661
United Kingdom.....	12	30	2,112,116	2,505,923	287,324	299,519	107,957	107,411	21,994	643
West Germany.....	13	5	124,415	130,012	3,342	6,307	810	1,290	220	3,543
Africa, total.....	3	4	62,507	126,351	-252	2,713	610	1,290	220	19
Uberia.....	3	4	62,507	126,351	-252	2,713	610	1,290	220	19
South Africa (Including Namibia).....	3	4	62,507	126,351	-252	2,713	610	1,290	220	19
OPEC countries.....	10	44	2,078,968	2,224,908	191,167	215,583	64,180	65,467	4,973	3,517
Asia, total.....	5	6	214,431	343,476	11,870	13,934	2,328	2,328	3,341	3,341
Hong Kong.....	5	6	214,431	343,476	11,870	13,934	2,328	2,328	3,341	3,341
Indonesia.....	10	22	1,255,732	1,247,373	89,781	112,134	49,248	50,535	1,868	109
Japan (Including Okinawa and Ryukyu).....	10	22	1,255,732	1,247,373	89,781	112,134	49,248	50,535	1,868	109
Middle East countries (excluding OPEC).....	10	22	1,255,732	1,247,373	89,781	112,134	49,248	50,535	1,868	109
OPEC countries (excluding Indonesia).....	10	22	1,255,732	1,247,373	89,781	112,134	49,248	50,535	1,868	109
Philippines.....	10	22	1,255,732	1,247,373	89,781	112,134	49,248	50,535	1,868	109
Oceania, total.....	5	11	492,952	635,804	43,451	54,595	13,306	13,804	3,175	227
Australia.....	5	8	453,695	574,855	39,960	51,104	11,928	12,426	2,817	222
Puerto Rico and U.S. Possessions, total.....	3	3	47,248	78,003	4,694	4,694	1,137	1,137	737	740
OPEC countries, total (included above).....	3	3	47,248	78,003	4,694	4,694	1,137	1,137	737	740
Tax haven countries, total (included above).....	13	53	2,903,065	4,064,923	298,429	307,472	35,239	35,123	53,658	51,544

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued

(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								Subpart F Income
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All other manufacturing										
All geographic areas, total.....	116	1,012	49,060,577	51,650,573	4,878,203	5,312,907	1,697,567	1,666,088	1,742,264	226,563
Canada.....	89	148	9,353,956	9,728,170	933,203	997,380	370,488	351,130	454,999	14,918
Latin America, total.....	44	128	4,695,136	4,626,183	691,404	760,575	226,625	225,259	266,020	11,817
Brazil.....	28	44	2,306,632	2,213,530	463,487	467,827	143,590	143,590	189,109	327
Ecuador.....	13	18	417,200	380,636	9,234	33,389	15,153	14,108	7,128	0
Mexico.....	8	14	438,919	402,523	46,916	46,916	2,856	2,856	9,664	10,806
Panama (Including Canal Zone).....	7	8	206,825	231,349	38,389	44,308	16,504	15,509	12,755	—
Venezuela.....	3	3	3,904,445	604,968	201,168	207,442	16,832	16,718	123,676	82,973
Other Western Hemisphere, total.....	36	56	80,679	41,573	51,802	51,802	42,967	3,211	33,580	—
The Bahamas.....	3	3	80,679	41,573	51,802	51,802	42,967	3,211	33,580	—
Bermuda.....	20	27	849,376	167,858	174,772	22,361	12,101	12,101	18,993	23,672
Netherlands Antilles.....	21	26	2,974,391	395,738	112,421	112,672	13,621	13,507	71,103	59,301
Europe, total.....	67	528	26,081,618	30,846,978	2,554,591	2,737,057	865,755	862,886	724,350	76,270
Austria.....	3	3	63,417	76,306	7,044	7,044	3,347	3,347	5,123	—
Belgium.....	19	26	1,716,008	1,547,877	161,527	164,585	41,115	41,115	33,641	26,546
Denmark.....	6	7	145,928	174,772	22,361	22,361	8,888	8,888	5,664	—
France (Including Andorra).....	39	67	2,807,431	3,735,255	267,078	268,503	121,051	121,230	40,449	—
Italy (Including San Marino).....	34	49	2,569,103	2,608,272	271,447	279,960	111,118	112,542	50,533	—
Netherlands.....	31	6	434,056	407,048	35,990	39,371	11,300	11,957	9,378	1,870
Norway.....	4	4	2,028,234	1,600,974	171,138	194,429	28,077	26,566	27,972	171
Spain.....	4	4	82,805	123,009	20,158	20,158	5,560	5,560	2,363	—
Sweden.....	23	29	1,170,854	1,190,448	126,857	134,932	32,781	32,781	23,651	—
Switzerland.....	7	10	292,496	449,068	27,293	29,601	17,882	16,851	10,384	—
United Kingdom.....	16	21	1,559,686	1,166,338	141,690	146,885	36,856	36,956	32,266	41,803
West Germany.....	64	160	8,930,149	12,253,480	892,163	939,213	268,907	263,804	290,692	3,200
Africa, total.....	16	24	828,891	724,846	115,449	115,449	163,902	166,437	159,233	2,435
Uberia.....	5	5	460,915	253,787	59,327	59,327	21,646	21,646	37,474	1,883
South Africa (Including Namibia).....	11	15	256,924	366,641	30,206	31,104	11,301	11,301	22,128	1,883
OPEC countries.....	11	15	256,924	366,641	30,206	31,104	11,301	11,301	22,128	1,883
Asia, total.....	26	72	2,592,291	3,227,334	238,324	328,784	134,096	132,464	103,701	14,370
Hong Kong.....	9	15	309,223	350,258	8,297	35,336	5,204	5,204	12,676	5,830
Indonesia.....	17	21	1,162,580	1,670,673	155,456	155,925	90,700	90,700	24,652	—
Japan (Including Okinawa and Ryukyu).....	17	21	1,162,580	1,670,673	155,456	155,925	90,700	90,700	24,652	—
Middle East countries (excluding OPEC).....	17	21	1,162,580	1,670,673	155,456	155,925	90,700	90,700	24,652	—
OPEC countries (excluding Indonesia).....	17	21	1,162,580	1,670,673	155,456	155,925	90,700	90,700	24,652	—
Philippines.....	7	7	180,396	212,151	43,360	49,821	17,465	17,422	16,955	8,540
Oceania, total.....	38	54	1,386,106	1,960,243	140,158	161,310	60,491	54,350	30,043	24,332
Australia.....	37	50	1,309,751	1,725,096	127,367	149,519	56,329	50,188	28,807	24,332
Puerto Rico and U.S. Possessions, total.....	3	3	47,248	78,003	4,694	4,694	1,137	1,137	737	740
OPEC countries, total (included above).....	9	13	303,048	326,752	43,483	53,355	19,775	16,191	28,534	—
Tax haven countries, total (included above).....	59	179	9,871,385	5,251,479	639,351	767,704	110,902	109,944	253,400	146,020

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Transportation and public utilities</b>										
<b>All geographic areas, total.....</b>	<b>66</b>	<b>381</b>	<b>24,873,374</b>	<b>9,964,847</b>	<b>1,110,436</b>	<b>1,398,410</b>	<b>301,793</b>	<b>305,100</b>	<b>421,004</b>	<b>248,194</b>
Canada.....	26	81	6,074,808	2,221,803	411,139	425,801	141,502	140,830	105,337	18,356
Latin America, total.....	20	53	2,370,458	1,070,902	112,642	163,716	35,773	39,720	32,730	21,137
Brazil.....	5	8	138,280	42,692	7,517	11,127	5,315	5,432	--	--
Ecuador.....	--	--	--	--	--	--	--	--	--	--
Mexico.....	4	5	119,731	172,178	6,797	9,552	3,019	3,365	3,511	--
Panama (including Canal Zone).....	8	27	1,054,209	118,229	16,953	47,762	3,421	3,818	2,366	19,699
Venezuela.....	--	--	--	--	--	--	--	--	--	--
Other Western Hemisphere, total.....	43	58	6,473,974	657,417	178,844	209,564	18,079	19,084	156,967	174,217
The Bahamas.....	4	4	135,102	7,786	3,295	7,713	--	--	--	--
Bermuda.....	18	24	1,116,200	96,005	802	23,566	-16	-273	47,622	25,426
Netherlands Antilles.....	26	30	5,222,673	553,624	174,756	178,286	18,094	19,357	109,345	148,791
Europe, total.....	22	140	7,653,581	5,153,335	376,277	477,416	83,851	82,796	107,421	30,376
Austria.....	--	--	--	--	--	--	--	--	--	--
Belgium.....	3	5	212,245	275,630	18,131	19,856	4,281	4,281	2,694	--
Denmark.....	--	--	--	--	--	--	--	--	--	--
France (including Andorra).....	8	16	676,493	815,347	20,693	25,905	10,138	10,578	1,427	--
Italy (including San Marino).....	7	10	555,354	414,533	53,388	54,193	16,759	16,775	4,954	--
Luxembourg.....	--	--	--	--	--	--	--	--	--	--
Netherlands.....	7	13	1,151,003	453,758	9,916	46,782	5,052	5,117	14,197	290
Norway.....	--	--	--	--	--	--	--	--	--	--
Spain.....	4	8	220,383	139,869	9,101	13,869	750	750	1,168	--
Sweden.....	9	20	700,316	282,573	48,007	54,464	7,317	7,317	17,681	30,068
United Kingdom.....	17	41	3,129,774	1,265,391	124,799	151,156	17,333	15,643	41,499	--
West Germany.....	10	16	740,883	633,254	82,168	88,240	21,113	21,142	19,621	--
Africa, total.....	10	29	1,241,972	72,485	-10,056	39,119	11	130	1,805	3,612
Liberia.....	9	28	1,179,440	33,552	-11,554	37,621	11	130	1,805	3,612
South Africa (including Namibia).....	--	--	--	--	--	--	--	--	--	--
OPEC countries.....	--	--	--	--	--	--	--	--	--	--
Asia, total.....	9	18	493,265	328,115	9,244	39,145	7,966	8,002	7,709	474
Hong Kong.....	4	4	89,876	31,385	7,404	9,501	1,896	1,896	1,288	474
Indonesia.....	--	--	--	--	--	--	--	--	--	--
Japan (including Okinawa and Ryukyu).....	5	5	104,790	63,636	3,671	7,253	3,814	3,814	2,187	--
Middle East countries (excluding OPEC).....	--	--	--	--	--	--	--	--	--	--
OPEC countries (excluding Indonesia).....	--	--	--	--	--	--	--	--	--	--
Philippines.....	--	--	--	--	--	--	--	--	--	--
Oceania, total.....	8	16	363,371	375,924	21,489	32,791	11,851	11,797	9,035	--
Australia.....	8	14	340,771	368,094	20,580	31,882	11,415	11,361	9,035	--
Puerto Rico and U.S. Possessions, total.....	6	6	201,944	84,868	10,856	10,856	2,741	2,741	--	19
OPEC countries, total (included above).....	4	4	119,947	54,610	-7,272	7,490	3,369	3,369	3,656	--
Tax haven countries, total (included above).....	49	160	11,559,967	1,959,504	281,954	456,602	49,354	54,113	194,372	228,816

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Water transportation</b>										
<b>All geographic areas, total.....</b>	<b>5</b>	<b>51</b>	<b>1,467,742</b>	<b>60,788</b>	<b>831</b>	<b>49,041</b>	<b>528</b>	<b>1,044</b>	<b>--</b>	<b>608</b>
Canada.....	--	--	--	--	--	--	--	--	--	--
Latin America, total.....	4	21	447,180	19,915	82	22,268	528	925	--	--
Brazil.....	--	--	--	--	--	--	--	--	--	--
Ecuador.....	--	--	--	--	--	--	--	--	--	--
Mexico.....	--	--	--	--	--	--	--	--	--	--
Panama (including Canal Zone).....	4	21	447,180	19,915	82	22,268	528	925	--	--
Venezuela.....	--	--	--	--	--	--	--	--	--	--
Other Western Hemisphere, total.....	3	5	110,592	23,056	-9,481	281	--	--	--	608
The Bahamas.....	--	--	--	--	--	--	--	--	--	--
Bermuda.....	3	5	110,592	23,056	-9,481	281	--	--	--	608
Netherlands Antilles.....	--	--	--	--	--	--	--	--	--	--
Europe, total.....	--	--	--	--	--	--	--	--	--	--
Austria.....	--	--	--	--	--	--	--	--	--	--
Belgium.....	--	--	--	--	--	--	--	--	--	--
Denmark.....	--	--	--	--	--	--	--	--	--	--
France (including Andorra).....	--	--	--	--	--	--	--	--	--	--
Italy (including San Marino).....	--	--	--	--	--	--	--	--	--	--
Luxembourg.....	--	--	--	--	--	--	--	--	--	--
Netherlands.....	--	--	--	--	--	--	--	--	--	--
Norway.....	--	--	--	--	--	--	--	--	--	--
Spain.....	--	--	--	--	--	--	--	--	--	--
Sweden.....	--	--	--	--	--	--	--	--	--	--
Switzerland.....	--	--	--	--	--	--	--	--	--	--
United Kingdom.....	--	--	--	--	--	--	--	--	--	--
West Germany.....	--	--	--	--	--	--	--	--	--	--
Africa, total.....	3	21	863,296	16,996	11,872	26,017	--	119	--	--
Liberia.....	3	21	863,296	16,996	11,872	26,017	--	119	--	--
South Africa (including Namibia).....	--	--	--	--	--	--	--	--	--	--
OPEC countries.....	--	--	--	--	--	--	--	--	--	--
Asia, total.....	--	--	--	--	--	--	--	--	--	--
Hong Kong.....	--	--	--	--	--	--	--	--	--	--
Indonesia.....	--	--	--	--	--	--	--	--	--	--
Japan (including Okinawa and Ryukyu).....	--	--	--	--	--	--	--	--	--	--
Middle East countries (excluding OPEC).....	--	--	--	--	--	--	--	--	--	--
OPEC countries (excluding Indonesia).....	--	--	--	--	--	--	--	--	--	--
Philippines.....	--	--	--	--	--	--	--	--	--	--
Oceania, total.....	--	--	--	--	--	--	--	--	--	--
Australia.....	--	--	--	--	--	--	--	--	--	--
Puerto Rico and U.S. Possessions, total.....	--	--	--	--	--	--	--	--	--	--
OPEC countries, total (included above).....	--	--	--	--	--	--	--	--	--	--
Tax haven countries, total (included above).....	4	48	1,431,723	59,967	376	48,566	528	1,044	--	608

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 (Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign Income taxes (net)	Total distributions out of earnings and profits	Subpart F Income
						Earnings and profits before taxes	Foreign Income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All other transportation and public utilities										
All geographic areas, total.....	61	330	23,405,632	9,904,059	1,109,806	1,349,369	301,265	304,056	421,004	247,585
Canada.....	26	61	6,074,808	2,221,803	411,139	425,801	141,502	140,830	105,337	18,356
Latin America, total.....	16	32	1,923,279	1,050,987	112,558	141,448	35,245	38,795	32,730	21,137
Brazil.....	5	8	138,280	142,692	7,517	11,127	5,315	5,432	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	4	5	119,731	472,178	6,797	9,552	3,019	3,369	3,511	—
Panama (including Canal Zone).....	4	6	607,029	98,313	16,870	25,494	2,693	2,693	—	19,698
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	40	53	6,363,362	634,261	188,325	209,283	18,079	19,084	156,967	173,608
The Bahamas.....	4	4	135,102	7,788	3,266	7,713	—	—	—	—
Bermuda.....	15	19	1,005,608	72,949	10,284	23,284	-16	-273	47,622	24,818
Netherlands Antilles.....	26	30	5,222,673	553,624	174,756	178,286	19,094	19,357	109,345	146,791
Europe, total.....	21	139	7,645,710	5,153,089	376,497	477,416	83,851	82,796	107,421	30,378
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	3	5	212,245	275,630	18,131	19,856	4,261	4,281	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	8	16	676,493	815,347	20,669	25,905	10,138	10,578	1,427	—
Italy (including San Marino).....	7	10	555,354	414,533	53,368	54,193	16,759	16,775	4,954	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	7	13	1,151,003	453,758	9,816	46,782	5,052	5,117	14,197	290
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	4	8	220,383	139,869	9,101	13,869	750	750	1,168	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	9	20	700,316	282,973	48,007	54,464	7,231	7,317	17,881	30,088
United Kingdom.....	16	40	3,121,902	1,265,145	125,020	161,156	17,333	15,643	41,499	—
West Germany.....	10	16	740,883	673,254	82,168	88,240	21,113	21,142	19,621	—
Africa, total.....	7	8	378,877	55,489	-21,928	13,102	11	11	1,805	3,612
Liberia.....	6	7	316,145	16,556	-23,425	11,604	11	11	1,805	3,612
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	6	17	482,609	328,115	11,341	39,145	7,986	8,002	7,709	474
Hong Kong.....	3	3	79,220	31,385	9,501	9,501	1,896	1,896	1,288	474
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	5	5	104,790	63,636	3,671	7,253	3,814	3,814	2,187	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	7	15	354,348	375,924	21,028	32,330	11,851	11,797	9,035	—
Australia.....	7	13	331,747	366,094	20,119	31,421	11,415	11,361	9,035	—
Puerto Rico and U.S. Possessions, total.....	5	5	182,820	84,291	10,844	10,844	2,741	2,741	—	19
OPEC countries, total (included above).....	4	4	119,947	54,610	-7,272	7,490	3,389	3,389	3,866	—
Tax haven countries, total (included above).....	45	112	10,128,264	1,899,537	281,578	408,236	48,826	53,069	194,372	229,210

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 (Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign Income taxes (net)	Total distributions out of earnings and profits	Subpart F Income
						Earnings and profits before taxes	Foreign Income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Wholesale and retail trade										
All geographic areas, total.....	61	333	36,306,449	46,138,962	1,669,317	1,949,026	435,009	426,855	489,011	170,747
Canada.....	31	64	8,438,488	12,985,452	428,922	451,635	185,925	184,094	103,272	283
Latin America, total.....	14	31	2,924,450	4,677,417	40,225	87,048	9,339	9,750	41,374	12,432
Brazil.....	5	11	599,974	731,081	-24,067	15,936	755	1,169	10,693	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	6	7	1,776,188	3,305,287	18,245	23,398	4,503	4,503	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	21	39	5,021,995	4,507,425	249,151	308,200	31,436	28,642	97,132	126,111
The Bahamas.....	3	8	444,183	3,405,189	93,596	14,904	14,904	14,904	14,527	8,210
Bermuda.....	15	20	874,269	370,250	34,475	78,140	2,301	-544	—	—
Netherlands Antilles.....	9	11	3,703,544	731,987	121,079	136,463	14,231	14,282	59,522	96,399
Europe, total.....	29	133	16,581,129	18,506,495	554,410	674,365	85,259	79,173	141,635	4,169
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	6	7	249,021	439,035	12,679	14,701	1,306	1,308	3,111	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	10	12	620,430	1,958,839	9,370	21,096	10,497	9,622	2,173	—
Italy (including San Marino).....	7	11	447,202	1,002,645	3,814	15,735	7,792	6,732	2,074	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	7	13	836,531	1,368,646	18,924	20,354	2,981	3,226	5,913	1,414
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	3	3	120,799	76,589	-27,042	2,265	—	-1,108	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	8	12	6,086,613	6,207,125	241,261	246,661	1,553	1,393	1,102	2,218
United Kingdom.....	18	51	6,952,119	5,626,265	210,936	256,299	35,904	33,287	105,792	537
West Germany.....	10	16	1,063,002	1,753,014	80,529	84,011	22,851	22,924	20,954	—
Africa, total.....	5	13	572,665	1,063,418	54,907	59,697	24,800	27,069	57,256	334
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	14	21	2,233,403	1,998,041	215,301	227,312	75,233	75,356	37,629	20,402
Hong Kong.....	9	12	1,272,300	634,582	176,810	176,810	35,809	35,809	25,781	20,402
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	4	6	578,713	557,048	24,771	31,554	19,233	19,356	2,260	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	10	26	2,146,142	2,309,323	115,556	129,925	19,970	19,724	10,213	7,016
Australia.....	10	23	2,007,305	2,061,302	105,101	117,942	10,225	9,812	8,712	7,016
Puerto Rico and U.S. Possessions, total.....	5	6	368,177	91,391	10,843	10,843	3,048	3,048	500	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	36	90	15,139,194	16,125,121	699,284	778,690	76,897	74,167	150,927	162,578

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Wholesale trade</b>										
All geographic areas, total.....	32	169	22,156,407	31,993,822	826,487	1,026,916	164,491	161,186	244,187	32,280
Canada.....	15	20	1,389,808	3,291,727	41,040	50,945	15,813	15,797	—	—
Latin America, total.....	9	24	2,729,430	4,483,902	21,266	65,023	8,564	8,976	33,363	12,432
Brazil.....	3	7	494,083	680,820	-22,958	13,979	—	414	9,139	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	5	6	1,766,029	3,292,624	17,825	22,978	4,483	4,483	21,000	12,432
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	11	22	1,097,999	3,920,883	115,649	157,092	17,338	14,493	22,627	15,127
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	9	12	489,302	278,029	6,909	48,351	580	-2,266	15,300	3,518
Netherlands Antilles.....	4	4	200,800	332,294	28,805	28,805	1,854	1,854	3,607	3,400
Europe, total.....	13	63	13,265,465	15,734,773	403,328	484,516	32,787	29,061	103,841	4,169
Austria.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	4	6	487,633	1,810,155	9,144	12,323	7,236	6,307	—	—
Italy (including San Marino).....	5	8	408,107	959,134	-1,994	9,532	4,351	3,332	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	4	10	704,723	1,290,450	18,073	19,311	2,981	2,885	5,913	1,414
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	5	9	6,032,581	6,163,270	239,938	242,230	51	-120	1,102	2,218
United Kingdom.....	8	19	5,290,065	4,742,405	142,926	176,875	10,743	10,513	95,961	537
West Germany.....	3	4	142,844	653,489	13,397	13,734	5,663	6,527	—	—
Africa, total.....	5	13	572,665	1,063,418	54,907	59,697	24,800	27,069	57,256	334
Uberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	6	11	1,593,135	1,478,065	89,386	98,057	49,009	49,009	17,629	217
Hong Kong.....	3	6	1,041,666	346,320	59,723	59,723	17,618	17,618	5,781	217
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	4	14	1,461,434	2,018,207	100,205	110,880	16,199	16,782	9,470	—
Australia.....	4	12	1,352,442	1,781,001	89,624	98,697	6,455	6,871	7,969	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	18	57	10,690,232	15,102,561	442,835	501,332	42,471	39,358	56,422	31,409

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Petroleum and petroleum products</b>										
All geographic areas, total.....	5	40	4,112,392	11,283,177	299,308	352,957	81,091	83,823	113,060	23,091
Canada.....	—	—	—	—	—	—	—	—	—	—
Latin America, total.....	—	—	—	—	—	—	—	—	—	—
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	3	12	823,897	3,588,699	90,332	125,457	15,170	15,170	21,137	10,667
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	—	—	—	—	—	—	—	—	—	—
Netherlands Antilles.....	—	—	—	—	—	—	—	—	—	—
Europe, total.....	3	5	135,403	46,502	6,156	8,947	238	238	—	667
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	—	—	—	—	—	—	—	—	—	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	—	—	—	—	—	—	—	—	—	—
United Kingdom.....	—	—	—	—	—	—	—	—	—	—
West Germany.....	—	—	—	—	—	—	—	—	—	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Uberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	—	—	—	—	—	—	—	—	—	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	—	—	—	—	—	—	—	—	—	—
Australia.....	—	—	—	—	—	—	—	—	—	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	4	17	1,770,317	6,993,172	135,185	170,310	21,877	21,877	42,137	22,554

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All other wholesale trade										
All geographic areas, total.....	27	129	18,044,016	20,710,645	527,180	673,959	83,400	77,363	131,127	9,189
Canada.....	13	16	1,225,225	2,445,345	36,545	41,076	11,273	11,377	—	—
Latin America, total.....	8	23	2,078,122	1,242,815	-628	43,129	4,149	4,561	12,363	676
Brazil.....	3	7	494,083	680,820	-22,958	13,979	—	414	9,139	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (Including Canal Zone).....	4	5	1,114,721	51,537	-4,069	1,084	68	68	—	676
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	8	10	274,102	331,984	25,318	31,635	2,168	-677	1,490	4,460
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	7	7	137,574	7,000	-1,392	4,924	—	-2,845	—	3,518
Netherlands Antilles.....	—	—	—	—	—	—	—	—	—	—
Europe, total.....	10	58	13,130,081	15,688,271	397,172	475,570	32,530	28,623	103,841	3,501
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (Including Andorra).....	4	6	467,633	1,810,155	9,144	12,523	7,236	6,307	—	—
Italy (Including San Marino).....	3	6	375,988	931,578	-2,062	6,672	3,852	2,792	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	4	10	704,723	1,290,450	18,073	19,311	2,981	2,865	5,913	1,414
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	4	7	5,941,568	6,157,966	234,634	236,926	587	416	1,102	2,087
United Kingdom.....	7	18	5,277,793	4,726,763	142,143	176,061	10,508	10,278	95,961	—
West Germany.....	3	4	142,844	653,489	13,397	13,734	6,663	6,527	—	—
Africa, total.....	4	8	115,037	190,144	9,839	12,985	3,990	3,990	3,849	334
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (Including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	5	6	1,031,590	602,051	52,782	61,453	25,969	25,969	8,042	217
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (Including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	3	4	143,406	206,987	5,444	7,406	3,301	3,301	1,542	—
Australia.....	3	4	143,406	206,987	5,444	7,406	3,301	3,301	1,542	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	14	40	8,919,915	8,108,409	307,650	331,022	20,593	17,480	14,286	8,655

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 [Money amounts are in thousands of dollars]

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Retail trade										
All geographic areas, total.....	29	164	16,150,042	14,145,140	842,830	922,110	270,519	265,669	244,824	138,467
Canada.....	16	44	7,048,680	9,693,725	387,682	400,690	170,112	168,297	103,272	283
Latin America, total.....	5	7	195,020	193,515	18,959	22,025	774	774	8,010	—
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (Including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	10	17	3,923,996	586,742	133,502	151,109	14,098	14,149	74,505	110,984
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	6	8	384,966	92,221	27,567	29,790	1,721	1,721	7,784	17,665
Netherlands Antilles.....	5	7	3,502,744	399,692	92,275	107,659	12,377	12,428	55,915	92,999
Europe, total.....	16	70	3,315,645	2,771,722	151,082	189,849	52,491	50,112	37,794	—
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	4	5	223,704	415,712	12,709	14,200	1,160	1,162	2,811	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (Including Andorra).....	6	6	152,797	148,684	226	8,573	3,260	3,315	2,173	—
Italy (Including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	3	3	131,807	78,195	851	1,044	—	341	—	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	3	3	54,032	43,855	1,323	4,432	1,502	1,513	—	—
United Kingdom.....	10	32	1,662,053	883,860	68,010	81,815	25,761	22,774	9,831	—
West Germany.....	7	12	920,158	1,099,525	67,133	70,277	16,198	16,397	20,906	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (Including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	8	10	640,268	519,976	125,916	129,255	26,224	26,347	20,000	20,185
Hong Kong.....	6	6	230,634	288,362	117,087	117,087	18,191	18,191	20,000	20,185
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (Including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	6	12	684,708	291,116	15,352	19,045	3,771	2,941	743	7,016
Australia.....	6	11	684,863	280,301	15,477	19,045	3,771	2,941	743	7,016
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	4	4	341,726	88,344	10,137	10,137	3,048	3,048	500	—
Tax haven countries, total (included above).....	18	33	4,448,962	1,022,540	256,450	277,358	34,427	34,829	94,505	131,169

Footnotes at end of table.

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(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of Incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F Income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Finance, insurance, and real estate</b>										
All geographic areas, total.....	119	871	179,847,139	25,555,032	3,603,201	4,142,392	866,010	843,291	578,365	362,347
Canada.....	44	83	15,115,567	3,352,869	361,921	392,144	106,173	107,415	52,398	—
Latin America, total.....	33	102	11,410,291	1,875,121	443,388	507,091	105,758	106,956	65,199	4,822
Brazil.....	10	25	1,411,987	343,752	117,553	150,626	48,571	49,751	26,872	—
Ecuador.....	3	6	836,520	250,319	17,631	34,681	13,589	13,589	3,993	—
Mexico.....	11	16	5,438,657	564,021	165,434	165,835	15,355	15,355	13,143	1,654
Panama (including Canal Zone).....	..	..	..	..	..	..	..	..	..	..
Venezuela.....	..	..	..	..	..	..	..	..	..	..
Other Western Hemisphere, total.....	55	109	24,285,472	3,880,355	805,895	939,485	37,985	38,624	254,112	308,488
The Bahamas.....	14	15	2,668,915	241,694	80,649	84,628	—	—	5,645	4,271
Bermuda.....	20	45	8,394,505	2,237,841	406,552	489,536	10,859	10,843	38,855	25,564
Netherlands Antilles.....	38	48	13,210,841	1,400,081	318,944	365,222	—	—	28,021	278,654
Europe, total.....	68	379	102,760,153	12,482,441	1,397,339	1,631,327	477,166	453,722	176,240	43,425
Austria.....	3	4	863,661	66,699	9,642	10,997	3,770	3,770	2,170	—
Belgium.....	15	26	5,102,528	579,615	66,254	71,108	14,147	14,622	6,449	115
Denmark.....	..	..	..	..	..	..	..	..	..	..
France (including Andorra).....	15	27	4,900,067	1,001,041	151,717	159,453	15,210	15,291	2,241	—
Italy (including San Marino).....	15	23	10,973,543	1,672,000	154,298	158,415	89,528	89,579	6,895	—
Luxembourg.....	9	10	3,684,148	282,549	23,802	24,022	10,659	10,800	—	648
Netherlands.....	8	9	1,182,594	36,710	-1,279	7,077	653	743	1,804	375
Norway.....	4	4	245,559	34,955	-1,451	618	30	52	—	—
Spain.....	10	12	3,255,371	425,935	44,652	45,959	9,468	9,468	—	—
Sweden.....	4	4	295,516	23,799	-6,378	586	341	345	—	—
Switzerland.....	15	24	6,577,658	701,617	135,345	142,858	19,344	19,384	5,169	719
United Kingdom.....	58	196	50,533,336	6,368,698	638,912	825,700	213,879	189,464	111,288	1,101
West Germany.....	13	26	14,154,309	1,463,716	259,858	262,726	98,812	98,880	27,655	40,469
Africa, total.....	15	24	955,912	231,818	28,953	45,338	12,519	13,163	4,096	2,109
Liberia.....	8	11	259,080	42,833	18,574	27,483	2,748	2,707	—	—
South Africa (including Namibia).....	4	4	359,021	144,385	20,195	20,195	6,405	6,405	—	—
OPEC countries.....	..	..	..	..	..	..	..	..	..	..
Asia, total.....	34	91	12,610,364	1,844,076	232,926	277,413	49,937	49,602	18,887	146
Hong Kong.....	29	49	9,582,609	1,237,639	168,546	178,892	27,484	27,446	15,361	146
Indonesia.....	3	3	64,316	5,327	3,384	3,504	1,013	1,013	442	—
Japan (including Okinawa and Ryukyu).....	9	13	944,739	244,262	10,358	33,751	13,229	13,217	1,189	—
Middle East countries (excluding OPEC).....	..	..	..	..	..	..	..	..	..	..
OPEC countries (excluding Indonesia).....	..	..	..	..	..	..	..	..	..	..
Philippines.....	..	..	..	..	..	..	..	..	..	..
Oceania, total.....	25	65	10,621,908	1,671,018	299,716	315,831	69,896	69,221	7,433	2,808
Australia.....	25	54	9,596,262	1,631,432	285,028	301,862	64,102	63,448	7,071	2,800
Puerto Rico and U.S. Possessions, total.....	13	18	2,087,473	217,334	33,063	33,964	4,576	4,576	—	548
OPEC countries, total (included above).....	4	7	172,512	15,193	3,572	3,922	545	1,371	728	—
Tax haven countries, total (included above).....	77	263	54,973,591	7,144,277	1,421,549	1,568,923	134,532	134,262	307,119	317,308

Footnotes at end of table.

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(Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of Incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F Income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Banking</b>										
All geographic areas, total.....	41	444	114,681,555	11,785,996	1,752,667	1,972,616	489,544	485,777	218,286	197,270
Canada.....	11	17	6,122,557	501,147	64,096	64,886	34,208	34,387	726	—
Latin America, total.....	18	66	6,108,938	1,095,240	300,834	345,100	79,816	81,026	57,132	552
Brazil.....	6	20	1,321,494	290,235	113,842	144,405	47,720	48,900	26,842	—
Ecuador.....	..	..	..	..	..	..	..	..	..	..
Mexico.....	..	..	..	..	..	..	..	..	..	..
Panama (including Canal Zone).....	5	6	1,200,855	136,100	56,730	56,730	4,014	4,014	11,293	—
Venezuela.....	..	..	..	..	..	..	..	..	..	..
Other Western Hemisphere, total.....	21	36	10,978,807	1,063,939	257,130	302,790	11,368	11,667	95,782	154,201
The Bahamas.....	10	11	2,567,289	240,210	83,392	83,392	—	—	3,900	4,271
Bermuda.....	3	3	273,111	18,116	9,758	9,758	—	—	—	—
Netherlands Antilles.....	19	22	8,138,427	825,612	163,979	209,640	11,723	12,023	91,882	149,930
Europe, total.....	23	196	71,747,349	6,670,302	804,989	883,442	270,409	266,575	45,806	41,115
Austria.....	3	4	863,661	66,699	9,642	10,997	3,770	3,770	2,170	—
Belgium.....	7	12	3,653,936	399,569	47,598	47,716	10,730	10,674	3,963	—
Denmark.....	..	..	..	..	..	..	..	..	..	..
France (including Andorra).....	9	16	4,020,945	338,168	35,199	38,325	12,614	11,627	1,596	—
Italy (including San Marino).....	11	18	10,826,930	1,577,226	133,381	137,498	81,033	81,084	5,631	—
Luxembourg.....	6	7	3,000,263	232,323	19,241	19,461	9,390	9,531	—	648
Netherlands.....	3	3	1,050,107	215,100	3,965	6,393	506	506	1,804	—
Norway.....	3	3	222,915	31,546	-1,484	586	—	—	—	—
Spain.....	7	9	3,184,656	415,226	44,233	44,388	9,412	9,412	—	—
Sweden.....	..	..	..	..	..	..	..	..	..	..
Switzerland.....	10	14	1,932,247	207,771	40,393	47,906	6,197	6,237	2,629	—
United Kingdom.....	20	83	28,795,766	2,024,427	227,120	280,432	47,489	44,424	10,159	—
West Germany.....	7	19	13,101,316	1,284,981	245,311	246,352	88,815	88,815	16,104	40,455
Africa, total.....	9	18	708,555	147,242	9,037	20,847	7,354	7,917	3,389	699
Liberia.....	6	9	170,885	8,873	4,472	6,101	—	—	—	699
South Africa (including Namibia).....	..	..	..	..	..	..	..	..	..	..
OPEC countries.....	..	..	..	..	..	..	..	..	..	..
Asia, total.....	23	65	9,391,386	911,807	106,498	141,307	24,481	23,304	14,987	146
Hong Kong.....	23	38	7,168,764	731,890	76,704	86,796	17,206	17,169	14,360	146
Indonesia.....	..	..	..	..	..	..	..	..	..	..
Japan (including Okinawa and Ryukyu).....	5	8	706,081	50,565	-12,406	7,634	67	-39	—	—
Middle East countries (excluding OPEC).....	..	..	..	..	..	..	..	..	..	..
OPEC countries (excluding Indonesia).....	..	..	..	..	..	..	..	..	..	..
Philippines.....	..	..	..	..	..	..	..	..	..	..
Oceania, total.....	14	42	9,443,038	1,360,973	208,447	211,707	61,046	60,038	664	8
Australia.....	14	36	8,519,052	1,336,352	204,902	208,052	59,292	58,305	664	—
Puerto Rico and U.S. Possessions, total.....	4	4	180,527	15,346	1,637	2,538	862	862	—	548
OPEC countries, total (included above).....	..	..	..	..	..	..	..	..	..	..
Tax haven countries, total (included above).....	36	139	28,942,798	2,688,418	547,015	618,759	65,613	64,913	129,496	156,246

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 (Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Insurance										
All geographic areas, total.....	39	176	23,506,769	4,497,431	394,687	557,106	68,321	67,863	158,573	53,791
Canada.....	19	34	6,706,187	2,106,517	112,046	138,284	27,322	26,693	31,897	-
Latin America, total.....	8	17	916,123	158,281	6,894	26,936	2,721	2,721	2,005	472
Brazil.....	-	-	-	-	-	-	-	-	-	-
Ecuador.....	-	-	-	-	-	-	-	-	-	-
Mexico.....	-	-	-	-	-	-	-	-	-	-
Panama (including Canal Zone).....	-	-	-	-	-	-	-	-	-	-
Venezuela.....	-	-	-	-	-	-	-	-	-	-
Other Western Hemisphere, total.....	13	30	4,781,766	676,946	86,473	152,113	11,155	11,140	59,286	51,210
The Bahamas.....	3	3	61,312	1,262	-1,390	1,236	26	26	1,745	-
Bermuda.....	6	17	3,334,821	497,641	40,578	103,103	1,997	1,982	27,654	17,385
Netherlands Antilles.....	6	9	1,374,422	177,305	47,535	47,774	9,131	9,131	29,887	33,825
Europe, total.....	25	72	9,536,846	1,099,647	71,288	109,796	16,995	16,362	58,209	2,110
Austria.....	-	-	-	-	-	-	-	-	-	-
Belgium.....	2	9	1,123,108	118,317	7,448	12,112	1,538	2,218	1,511	-
Denmark.....	-	-	-	-	-	-	-	-	-	-
France (including Andorra).....	-	-	-	-	-	-	-	-	-	-
Italy (including San Marino).....	-	-	-	-	-	-	-	-	-	-
Luxembourg.....	-	-	-	-	-	-	-	-	-	-
Netherlands.....	-	-	-	-	-	-	-	-	-	-
Norway.....	-	-	-	-	-	-	-	-	-	-
Spain.....	-	-	-	-	-	-	-	-	-	-
Sweden.....	-	-	-	-	-	-	-	-	-	-
Switzerland.....	-	-	-	-	-	-	-	-	-	-
United Kingdom.....	20	49	7,198,619	735,640	48,126	77,863	12,811	11,493	44,573	1,016
West Germany.....	-	-	-	-	-	-	-	-	-	-
Africa, total.....	3	3	136,341	43,649	15,450	15,450	4,554	4,554	707	-
Liberia.....	-	-	-	-	-	-	-	-	-	-
South Africa (including Namibia).....	-	-	-	-	-	-	-	-	-	-
OPEC countries.....	-	-	-	-	-	-	-	-	-	-
Asia, total.....	4	6	421,068	127,886	1,387	7,760	596	690	-	-
Hong Kong.....	-	-	-	-	-	-	-	-	-	-
Indonesia.....	-	-	-	-	-	-	-	-	-	-
Japan (including Okinawa and Ryukyu).....	-	-	-	-	-	-	-	-	-	-
Middle East countries (excluding OPEC).....	-	-	-	-	-	-	-	-	-	-
OPEC countries (excluding Indonesia).....	-	-	-	-	-	-	-	-	-	-
Philippines.....	-	-	-	-	-	-	-	-	-	-
Oceania, total.....	5	11	808,848	250,119	86,120	93,738	4,848	5,573	6,469	-
Australia.....	5	8	750,858	242,408	78,426	86,044	2,155	2,850	6,108	-
Puerto Rico and U.S. Possessions, total.....	3	3	199,569	34,396	13,029	13,029	130	130	-	-
OPEC countries, total (included above).....	-	-	-	-	-	-	-	-	-	-
Tax haven countries, total (included above).....	15	48	6,365,700	888,892	120,443	186,735	16,862	16,847	72,718	52,776

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
 (Money amounts are in thousands of dollars)

Selected Industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Holding and other investment companies, except bank holding companies										
All geographic areas, total.....	4	19	1,073,292	2,005,361	184,213	188,789	44,794	44,790	9,204	5,416
Canada.....	-	-	-	-	-	-	-	-	-	-
Latin America, total.....	-	-	-	-	-	-	-	-	-	-
Brazil.....	-	-	-	-	-	-	-	-	-	-
Ecuador.....	-	-	-	-	-	-	-	-	-	-
Mexico.....	-	-	-	-	-	-	-	-	-	-
Panama (including Canal Zone).....	-	-	-	-	-	-	-	-	-	-
Venezuela.....	-	-	-	-	-	-	-	-	-	-
Other Western Hemisphere, total.....	-	-	-	-	-	-	-	-	-	-
The Bahamas.....	-	-	-	-	-	-	-	-	-	-
Bermuda.....	-	-	-	-	-	-	-	-	-	-
Netherlands Antilles.....	-	-	-	-	-	-	-	-	-	-
Europe, total.....	3	10	529,356	1,720,723	86,063	90,640	29,017	29,012	7,235	-
Austria.....	-	-	-	-	-	-	-	-	-	-
Belgium.....	-	-	-	-	-	-	-	-	-	-
Denmark.....	-	-	-	-	-	-	-	-	-	-
France (including Andorra).....	-	-	-	-	-	-	-	-	-	-
Italy (including San Marino).....	-	-	-	-	-	-	-	-	-	-
Luxembourg.....	-	-	-	-	-	-	-	-	-	-
Netherlands.....	-	-	-	-	-	-	-	-	-	-
Norway.....	-	-	-	-	-	-	-	-	-	-
Spain.....	-	-	-	-	-	-	-	-	-	-
Sweden.....	-	-	-	-	-	-	-	-	-	-
Switzerland.....	-	-	-	-	-	-	-	-	-	-
United Kingdom.....	3	4	413,145	1,579,821	57,786	62,026	24,021	24,021	7,235	-
West Germany.....	-	-	-	-	-	-	-	-	-	-
Africa, total.....	-	-	-	-	-	-	-	-	-	-
Liberia.....	-	-	-	-	-	-	-	-	-	-
South Africa (including Namibia).....	-	-	-	-	-	-	-	-	-	-
OPEC countries.....	-	-	-	-	-	-	-	-	-	-
Asia, total.....	-	-	-	-	-	-	-	-	-	-
Hong Kong.....	-	-	-	-	-	-	-	-	-	-
Indonesia.....	-	-	-	-	-	-	-	-	-	-
Japan (including Okinawa and Ryukyu).....	-	-	-	-	-	-	-	-	-	-
Middle East countries (excluding OPEC).....	-	-	-	-	-	-	-	-	-	-
OPEC countries (excluding Indonesia).....	-	-	-	-	-	-	-	-	-	-
Philippines.....	-	-	-	-	-	-	-	-	-	-
Oceania, total.....	-	-	-	-	-	-	-	-	-	-
Australia.....	-	-	-	-	-	-	-	-	-	-
Puerto Rico and U.S. Possessions, total.....	-	-	-	-	-	-	-	-	-	-
OPEC countries, total (included above).....	-	-	-	-	-	-	-	-	-	-
Tax haven countries, total (included above).....	-	-	-	-	-	-	-	-	-	-

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All other finance, insurance and real estate										
All geographic areas, total.....	35	232	40,565,523	7,266,244	1,271,634	1,423,882	263,351	244,862	192,302	105,670
Canada.....	13	28	1,920,645	482,358	95,915	99,109	30,905	30,598	19,776	--
Latin America, total.....	5	17	4,335,613	608,562	130,612	132,007	23,181	23,181	4,092	1,183
Brazil.....	3	3	58,609	49,874	6,221	6,221	851	851	31	--
Ecuador.....	--	--	--	--	--	--	--	--	--	--
Mexico.....	--	--	--	--	--	--	--	--	--	--
Panama (including Canal Zone).....	3	6	3,938,972	410,793	105,339	105,339	10,698	10,698	1,850	1,183
Venezuela.....	--	--	--	--	--	--	--	--	--	--
Other Western Hemisphere, total.....	20	41	8,498,680	2,113,906	459,856	482,146	15,462	15,817	99,044	103,078
The Bahamas.....	--	--	--	--	--	--	--	--	--	--
Bermuda.....	8	23	4,760,354	1,716,520	353,779	374,238	8,861	8,861	11,211	8,179
Netherlands Antilles.....	13	17	3,697,991	397,163	107,430	107,908	6,601	6,687	87,833	94,899
Europe, total.....	17	101	20,946,601	2,991,769	434,998	547,449	180,744	141,772	65,191	200
Austria.....	--	--	--	--	--	--	--	--	--	--
Belgium.....	3	5	325,485	61,730	11,208	11,280	1,879	1,730	970	115
Denmark.....	--	--	--	--	--	--	--	--	--	--
France (including Andorra).....	3	8	584,294	188,501	1,763	6,373	1,723	2,791	645	--
Italy (including San Marino).....	3	3	107,274	46,791	6,723	6,723	3,508	3,508	1,264	--
Luxembourg.....	--	--	--	--	--	--	--	--	--	--
Netherlands.....	--	--	--	--	--	--	--	--	--	--
Norway.....	--	--	--	--	--	--	--	--	--	--
Spain.....	--	--	--	--	--	--	--	--	--	--
Sweden.....	--	--	--	--	--	--	--	--	--	--
Switzerland.....	4	9	4,627,800	492,654	93,933	93,933	12,847	12,847	1,039	--
United Kingdom.....	15	60	14,121,785	2,028,810	305,860	405,377	129,579	109,526	49,321	85
West Germany.....	3	4	681,392	98,380	13,683	15,199	7,372	7,439	11,552	--
Africa, total.....	3	3	110,616	40,928	4,466	9,042	611	691	--	1,410
Liberia.....	--	--	--	--	--	--	--	--	--	--
South Africa (including Namibia).....	--	--	--	--	--	--	--	--	--	--
OPEC countries.....	--	--	--	--	--	--	--	--	--	--
Asia, total.....	7	20	2,797,910	804,383	123,041	128,348	24,861	25,608	3,900	--
Hong Kong.....	4	8	2,113,145	478,846	84,324	84,324	9,682	9,682	1,001	--
Indonesia.....	--	--	--	--	--	--	--	--	--	--
Japan (including Okinawa and Ryukyu).....	--	--	--	--	--	--	--	--	--	--
Middle East countries (excluding OPEC).....	--	--	--	--	--	--	--	--	--	--
OPEC countries (excluding Indonesia).....	--	--	--	--	--	--	--	--	--	--
Philippines.....	--	--	--	--	--	--	--	--	--	--
Oceania, total.....	5	11	268,102	56,735	2,349	7,385	4,002	3,510	299	--
Australia.....	5	9	224,391	49,482	-101	4,935	2,655	2,263	299	--
Puerto Rico and U.S. Possessions, total.....	6	11	1,707,357	167,603	16,397	18,397	3,565	3,565	--	--
OPEC countries, total (included above).....	--	--	--	--	--	--	--	--	--	--
Tax haven countries, total (included above).....	24	71	19,578,682	3,546,365	748,902	777,945	52,016	52,466	102,935	105,670

Footnotes at end of table.

Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes (net)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Services										
All geographic areas, total.....	38	193	6,506,722	3,442,382	534,595	619,133	142,617	143,970	175,254	51,399
Canada.....	14	22	885,166	447,044	83,348	88,485	28,164	28,164	526	130
Latin America, total.....	6	11	301,297	92,593	32,109	33,616	2,103	2,103	2,017	12,794
Brazil.....	3	3	77,280	51,817	1,718	3,225	1,241	1,241	517	--
Ecuador.....	--	--	--	--	--	--	--	--	--	--
Mexico.....	--	--	--	--	--	--	--	--	--	--
Panama (including Canal Zone).....	--	--	--	--	--	--	--	--	--	--
Venezuela.....	--	--	--	--	--	--	--	--	--	--
Other Western Hemisphere, total.....	14	19	1,276,273	558,932	75,116	106,715	23,752	23,752	129,729	35,303
The Bahamas.....	--	--	--	--	--	--	--	--	--	--
Bermuda.....	6	7	152,800	12,442	3,363	5,655	--	--	--	4,632
Netherlands Antilles.....	7	7	883,554	84,279	-1,704	29,602	6,897	6,897	24,989	30,562
Europe, total.....	30	124	3,396,207	1,943,798	289,530	330,106	59,317	60,140	34,202	3,172
Austria.....	--	--	--	--	--	--	--	--	--	--
Belgium.....	--	--	--	--	--	--	--	--	--	--
Denmark.....	--	--	--	--	--	--	--	--	--	--
France (including Andorra).....	5	10	178,080	101,480	8,854	11,532	4,279	3,621	1,119	--
Italy (including San Marino).....	5	7	124,924	78,497	5,243	10,869	5,065	5,108	4,000	--
Luxembourg.....	--	--	--	--	--	--	--	--	--	--
Netherlands.....	9	20	1,028,315	218,735	144,967	159,874	17,721	17,728	7,218	275
Norway.....	5	7	104,179	25,597	9,303	10,098	3,391	3,391	4,121	--
Spain.....	--	--	--	--	--	--	--	--	--	--
Sweden.....	--	--	--	--	--	--	--	--	--	--
Switzerland.....	3	6	121,286	44,631	-571	1,629	90	272	--	--
United Kingdom.....	24	54	1,444,866	1,231,529	65,937	79,233	11,235	12,505	7,735	2,897
West Germany.....	9	14	275,743	240,270	50,443	51,154	15,176	15,176	9,775	--
Africa, total.....	--	--	--	--	--	--	--	--	--	--
Liberia.....	--	--	--	--	--	--	--	--	--	--
South Africa (including Namibia).....	--	--	--	--	--	--	--	--	--	--
OPEC countries.....	--	--	--	--	--	--	--	--	--	--
Asia, total.....	6	6	357,045	277,042	47,058	48,440	23,909	23,909	8,433	--
Hong Kong.....	--	--	--	--	--	--	--	--	--	--
Indonesia.....	--	--	--	--	--	--	--	--	--	--
Japan (including Okinawa and Ryukyu).....	3	3	236,514	190,598	23,094	23,094	18,054	18,054	6,389	--
Middle East countries (excluding OPEC).....	--	--	--	--	--	--	--	--	--	--
OPEC countries (excluding Indonesia).....	--	--	--	--	--	--	--	--	--	--
Philippines.....	--	--	--	--	--	--	--	--	--	--
Oceania, total.....	5	10	190,941	122,974	3,777	6,115	4,049	4,578	347	--
Australia.....	5	10	190,941	122,974	3,777	6,115	4,049	4,578	347	--
Puerto Rico and U.S. Possessions, total.....	6	11	--	--	--	--	--	--	--	--
OPEC countries, total (included above).....	--	--	--	--	--	--	--	--	--	--
Tax haven countries, total (included above).....	20	55	2,737,172	952,580	269,762	321,849	48,405	48,593	140,713	35,578

Footnotes at end of table.

**Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued**  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>Business services</b>										
<b>All geographic areas, total.....</b>	<b>10</b>	<b>64</b>	<b>1,487,140</b>	<b>993,290</b>	<b>82,710</b>	<b>93,343</b>	<b>35,895</b>	<b>36,917</b>	<b>15,534</b>	<b>12,794</b>
Canada.....	6	7	293,410	82,004	3,576	6,517	3,369	3,369	526	—
Latin America, total.....	3	3	46,923	8,067	1,272	2,779	495	495	517	12,794
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	—	—	—	—	—	—	—	—	—	—
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	—	—	—	—	—	—	—	—	—	—
Netherlands Antilles.....	—	—	—	—	—	—	—	—	—	—
Europe, total.....	8	48	1,008,308	873,901	77,932	81,105	26,361	27,343	11,823	—
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	3	7	132,145	25,223	7,316	8,247	4,012	4,248	729	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	—	—	—	—	—	—	—	—	—	—
Netherlands.....	3	4	62,852	17,152	6,974	6,974	2,627	2,627	1,439	—
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	3	5	83,280	18,452	9,909	9,909	3,391	3,391	4,121	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	—	—	—	—	—	—	—	—	—	—
United Kingdom.....	7	19	517,392	737,633	23,382	25,438	7,037	7,783	1,699	—
West Germany.....	4	7	117,951	31,220	17,213	17,400	3,166	3,166	419	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	—	—	—	—	—	—	—	—	—	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	3	5	64,261	29,319	-77	934	767	807	347	—
Australia.....	3	5	64,261	29,319	-77	934	767	807	347	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	3	5	70,658	20,284	7,335	7,335	2,750	2,750	1,662	—

Footnotes at end of table.

**Table 1.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes, and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and Selected Country of Incorporation of "Top 7500" Controlled Foreign Corporation — Continued**  
(Money amounts are in thousands of dollars)

Selected industry of U.S. corporation filing the return and selected country of incorporation of "Top 7500" Controlled Foreign Corporation	Number of U.S. corporation returns	"Top 7500" Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Gross receipts	Earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Total distributions out of earnings and profits	Subpart F income
						Earnings and profits before taxes	Foreign income taxes			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<b>All other services</b>										
<b>All geographic areas, total.....</b>	<b>26</b>	<b>129</b>	<b>5,019,582</b>	<b>2,449,092</b>	<b>451,685</b>	<b>525,790</b>	<b>106,721</b>	<b>107,053</b>	<b>159,720</b>	<b>36,605</b>
Canada.....	8	15	591,756	365,040	79,773	79,968	24,795	24,795	—	130
Latin America, total.....	3	8	254,374	84,526	30,836	30,836	1,608	1,608	1,500	—
Brazil.....	—	—	—	—	—	—	—	—	—	—
Ecuador.....	—	—	—	—	—	—	—	—	—	—
Mexico.....	—	—	—	—	—	—	—	—	—	—
Panama (including Canal Zone).....	—	—	—	—	—	—	—	—	—	—
Venezuela.....	—	—	—	—	—	—	—	—	—	—
Other Western Hemisphere, total.....	14	19	1,276,273	558,932	75,116	106,715	23,732	23,732	129,729	35,303
The Bahamas.....	—	—	—	—	—	—	—	—	—	—
Bermuda.....	6	7	152,800	12,442	3,363	5,655	—	—	—	4,632
Netherlands Antilles.....	7	7	883,554	84,279	-1,704	29,602	6,897	6,897	24,989	30,552
Europe, total.....	22	76	2,387,899	1,069,697	211,596	249,001	32,955	32,797	22,379	3,172
Austria.....	—	—	—	—	—	—	—	—	—	—
Belgium.....	—	—	—	—	—	—	—	—	—	—
Denmark.....	—	—	—	—	—	—	—	—	—	—
France (including Andorra).....	—	—	—	—	—	—	—	—	—	—
Italy (including San Marino).....	—	—	—	—	—	—	—	—	—	—
Luxembourg.....	3	4	69,813	37,408	-3,508	2,138	763	786	818	—
Netherlands.....	6	16	965,463	201,583	137,993	152,900	15,094	15,101	5,779	275
Norway.....	—	—	—	—	—	—	—	—	—	—
Spain.....	—	—	—	—	—	—	—	—	—	—
Sweden.....	—	—	—	—	—	—	—	—	—	—
Switzerland.....	3	6	121,286	44,631	-571	1,629	90	272	—	—
United Kingdom.....	17	35	927,474	493,896	42,554	53,795	4,198	4,723	6,036	2,897
West Germany.....	5	7	157,792	209,049	33,229	33,753	11,990	11,990	9,356	—
Africa, total.....	—	—	—	—	—	—	—	—	—	—
Liberia.....	—	—	—	—	—	—	—	—	—	—
South Africa (including Namibia).....	—	—	—	—	—	—	—	—	—	—
OPEC countries.....	—	—	—	—	—	—	—	—	—	—
Asia, total.....	5	5	262,807	277,042	47,051	48,433	19,006	19,006	6,112	—
Hong Kong.....	—	—	—	—	—	—	—	—	—	—
Indonesia.....	—	—	—	—	—	—	—	—	—	—
Japan (including Okinawa and Ryukyu).....	—	—	—	—	—	—	—	—	—	—
Middle East countries (excluding OPEC).....	—	—	—	—	—	—	—	—	—	—
OPEC countries (excluding Indonesia).....	—	—	—	—	—	—	—	—	—	—
Philippines.....	—	—	—	—	—	—	—	—	—	—
Oceania, total.....	3	5	126,690	93,655	3,854	5,181	3,282	3,772	—	—
Australia.....	3	5	126,690	93,655	3,854	5,181	3,282	3,772	—	—
Puerto Rico and U.S. Possessions, total.....	—	—	—	—	—	—	—	—	—	—
OPEC countries, total (included above).....	—	—	—	—	—	—	—	—	—	—
Tax haven countries, total (included above).....	17	50	2,668,514	932,296	262,427	314,514	45,655	45,843	139,052	35,578

\*Data deleted to avoid disclosure of information for specific corporations.  
Note: Detail may not add to total because of rounding.

## Controlled Foreign Corporations, Preliminary Data, 1988

U.S. corporations that control foreign corporations must file a Form 5471, Information Return with Respect to a Foreign Corporation, for each Controlled Foreign Corporation (CFC) that they own. The 1988 CFC study includes Forms 5471 attached to Forms 1120, U.S. Corporation Income Tax Return, filed by U.S. corporations with at least \$500 million of total assets. Data contained in the following two tables are for the 7500 CFC's reporting the largest total assets.

Table 1 contains preliminary data for the Top 7500 CFC's classified by the industry of the CFC. These 7500 largest CFC's were controlled by 751 U.S. corporations. These CFC's had nearly \$953.8 billion of total assets, up from \$740.4 billion for 1986. The largest CFC's reported current earnings and profits before taxes of \$78.9 billion out of gross receipts of \$817.3 billion. These amounts increased from the 1986 amounts of \$56.6 billion and \$589.9 billion, respectively. The Top 7500 CFC's paid \$23.7 billion of foreign taxes, an increase of \$4.7 billion over 1986. Although reporting an increase in after-tax earnings and profits of 47.1 percent, the increase in distributions over 1986 was much greater. The Top 7500 CFC's reported distributions for 1988 of \$45.4 billion, an increase of 108.9 percent from 1986.

The largest number of CFC's were involved in the manufacturing and the finance, insurance and real estate industries. The 3,060 manufacturing CFC's accounted for 35.8 percent of total assets, 58.8 percent of receipts, 59.6 percent of earnings and profits after tax, and 56.6

percent of distributions. CFC's involved in the financial industries accounted for 43.4 percent of total assets, 7.6 percent of receipts, 19.9 percent of after-tax earnings and profits, and 22.1 percent of distributions.

Table 2 contains preliminary data for the Top 7500 CFC's classified by the country of incorporation of the CFC. The largest number of CFC's were incorporated in the United Kingdom. The 1,158 CFC's incorporated in the U.K. had 21.5 percent of total assets, 16.6 percent of receipts, 15.8 percent of after-tax earnings and profits, and 20.7 percent of distributions. Canada was the country of incorporation for 881 CFC's. These CFC's accounted for 16.8 percent of total assets, 17.4 percent of receipts, 16.0 percent of after-tax earnings, and 15.3 percent of distributions. West Germany had the third largest number of CFC's, accounting for 493 of the Top 7500 CFC's. CFC's incorporated in West Germany had 8.6 percent of total assets, 11.2 percent of receipts, 7.9 percent of after-tax earnings and profits and 9.8 percent of distributions.

The data provided in Tables 1 and 2 are preliminary. These data have not been fully tested and corrected. (Final 1988 data will be published in the Statistics of Income Bulletin.) The amounts reported in column 1 are not additive because a U.S. corporation may have filed Forms 5471 for more than one of the Top 7500 CFC's. The data provided in columns 2 through 8 are reported on Form 5471, Information Return with Respect to a Foreign Corporation.

### 1988 Controlled Foreign Corporations, Preliminary Data

Table 1 -- Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Industry of Controlled Foreign Corporation

[Money amounts are in thousands of dollars]

Selected industry of "Top 7500" Controlled Foreign Corporations	Number of U.S. corporation returns	Controlled Foreign Corporations						
		Number of Controlled Foreign Corporations	Total assets	Gross receipts	Current earnings and profits (less deficits) before taxes	Foreign income taxes (net)	Current earnings and profits (less deficits) after taxes	Distributions of earnings and profits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries, total.....	751	7,500	953,787,326	817,309,472	78,919,544	23,663,076	55,256,468	45,386,028
Agriculture, forestry, and fishing.....	13	31	807,867	1,235,993	78,031	21,385	56,646	60,051
Mining.....	73	220	39,947,327	14,105,022	2,845,743	1,124,210	1,721,533	2,173,123
Oil and gas extraction.....	55	179	36,282,329	12,083,963	2,397,219	1,027,324	1,369,895	2,092,472
Construction.....	21	86	4,021,876	6,164,121	304,964	145,626	159,337	175,126
Manufacturing.....	420	3,060	341,135,366	480,940,232	48,708,120	15,781,628	32,926,493	25,695,364
Food and kindred products...	51	307	21,946,674	39,298,421	3,278,195	1,022,168	2,256,027	2,217,865
Chemicals and allied product Petroleum (including integrated) and coal products.....	104	795	65,100,997	81,415,303	10,669,290	3,577,122	7,092,168	4,755,937
Electrical and electronic equipment.....	18	63	41,972,843	55,939,805	3,500,814	941,812	2,559,003	1,814,052
Motor vehicles and equipment Transportation equipment except motor vehicles.....	85	379	27,643,000	42,127,369	3,540,539	882,995	2,657,544	2,091,728
Transportation and public utilities.....	30	179	49,080,892	106,802,626	6,846,134	1,903,709	4,942,425	3,179,954
Wholesale and retail trade... Retail trade.....	17	26	2,306,325	2,851,777	267,492	71,904	195,587	273,552
Finance, insurance and real estate.....	72	194	18,458,833	11,680,656	1,322,159	393,398	928,761	528,920
Banking.....	267	1,260	104,107,838	221,934,934	10,315,311	3,779,260	6,536,051	6,098,023
Insurance.....	50	160	15,200,281	28,755,776	1,185,773	470,854	714,919	588,053
Services.....	464	2,059	413,952,897	61,849,816	12,821,167	1,805,914	11,015,253	10,051,839
	42	231	95,217,918	10,617,964	984,687	256,910	727,777	245,651
	175	321	44,493,318	13,762,275	1,597,067	248,907	1,348,160	727,384
	200	577	30,655,528	18,792,232	2,312,110	604,863	1,707,246	602,621

Note: Detail may not sum to totals because all industry classifications are not shown.

1988 Controlled Foreign Corporations, Preliminary Data

Table 2 -- Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of "Top 7500" Controlled Foreign Corporations, by Selected Country of Incorporation of Controlled Foreign Corporation  
(Money amounts are in thousands of dollars)

Selected country of "Top 7500" Controlled Foreign Corporations	Number of U.S. corporation returns [1]	Number of Controlled Foreign Corporations [2]	Total assets [3]	Controlled Foreign Corporations				Current earnings and profits (less deficits) before taxes [5]	Foreign income taxes (net) [6]	Current earnings and profits (less deficits) after taxes [7]	Distributions out of earnings and profits [8]
				Gross receipts [4]	Current earnings and profits (less deficits) [5]	Gross receipts [4]	Current earnings and profits (less deficits) before taxes [5]				
All geographic areas, total..	751	7,500	953,787,326	817,309,472	78,919,544	23,663,076	55,256,468	45,386,028			
Australia.....	200	351	38,328,861	25,514,341	2,363,193	820,897	1,542,296	557,351			
Belgium.....	130	213	23,760,853	20,872,845	1,745,567	462,600	1,282,967	860,513			
Bermuda.....	188	282	27,156,169	11,235,954	2,175,905	207,197	1,968,708	1,682,116			
Brazil.....	160	293	23,590,883	29,533,381	4,206,200	1,189,209	3,016,992	1,019,858			
Canada.....	463	881	160,404,095	142,844,343	12,844,343	4,010,024	8,834,318	6,947,323			
France.....	236	444	62,501,952	54,276,640	3,360,044	1,344,507	2,015,538	1,495,970			
Italy.....	196	333	31,484,144	33,899,012	2,064,451	1,226,508	979,943	1,328,161			
Japan.....	160	253	43,408,747	53,794,478	6,116,116	3,487,813	2,628,303	1,840,464			
Liberia.....	30	62	4,948,527	1,905,569	93,264	80	93,184	45,898			
Mexico.....	79	115	7,462,827	9,312,762	1,182,024	406,565	775,459	257,771			
Netherlands.....	187	368	41,142,624	35,918,924	4,474,173	976,370	3,497,803	2,494,138			
Singapore.....	66	88	6,174,502	6,473,076	509,089	51,595	457,494	608,241			
Switzerland.....	126	217	37,823,359	31,494,628	4,459,805	393,527	4,066,278	4,107,314			
United Kingdom.....	402	1,158	205,155,638	135,408,733	12,573,492	3,826,587	8,746,905	9,413,911			
West Germany.....	259	493	81,699,240	91,214,311	6,597,120	2,255,117	4,342,003	4,440,664			

Note: Detail may not sum to totals because all country classifications are not shown.

Section 4

Foreign Sales Corporations

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Table 3.--Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Intercompany Pricing Method, p. 272.

The Foreign Sales Corporation (FSC) is a corporation incorporated in certain foreign countries and U.S. possessions for the purpose of exporting U.S. products. The FSC provisions of the Internal Revenue Code were enacted in 1984 to replace the Domestic International Sales

Corporation (DISC) which was subject to proceedings in the General Agreement on Tariffs and Trade regarding whether the DISC was an illegal export subsidy.

In order to become a FSC, the foreign corporation must meet several organizational and foreign presence requirements. These requirements include the maintenance of an office outside the United States and the participation of the corporation outside the United States in certain economic processes. If these requirements are met, the FSC can exempt a portion of its foreign trade income from U.S. tax. Furthermore, corporate U.S. shareholders of a FSC can exclude from U.S. tax all dividends received from the FSC that are attributable to the FSC's foreign trade income.

The reader is referred to Section 15 of this compendium for the form and the instructions listed below, which provided the basis of the FSC data.

\* Form 1120-FSC, U.S. Income Tax Return of a Foreign Sales Corporation, and Instructions (p. 477)

All Returns of Active Foreign Sales Corporations

Table 1.—Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Major Product or Service  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Major product or service	Number of returns	Total assets	Commissions and accounts receivable	Total current and long-term liabilities	Schedule P gross receipts	Total income			Cost of goods sold	Direct costs		Total foreign trade deductions	
						Administrative foreign trade	Non-administrative foreign trade	Non-foreign trade		Administrative	Non-administrative	Administrative	Non-administrative
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
<b>All products and services</b> .....	<b>2,613</b>	<b>5,582,757</b>	<b>4,579,930</b>	<b>3,118,065</b>	<b>84,280,131</b>	<b>17,629,033</b>	<b>2,658,229</b>	<b>206,584</b>	<b>12,264,908</b>	<b>1,787,658</b>	<b>108,169</b>	<b>3,647,521</b>	<b>337,894</b>
<b>Nonmanufactured products and services</b> .....	<b>319</b>	<b>488,081</b>	<b>352,589</b>	<b>229,810</b>	<b>10,545,810</b>	<b>943,281</b>	<b>314,629</b>	<b>2,405</b>	<b>451,184</b>	<b>227,737</b>	<b>42,060</b>	<b>370,684</b>	<b>62,459</b>
Grains and soybeans.....	12	142,558	106,982	59,885	6,309,395	315,949	158,662	59	61,314	157,916	37,046	184,299	54,876
Cotton.....	37	44,074	30,042	27,005	780,702	49,037	—	285	—	23,864	—	29,717	—
Crops, except cotton, grains and soybeans.....	34	22,133	19,810	15,992	529,837	28,492	—	63	—	4,363	—	12,694	—
Livestock and livestock products.....	33	18,157	5,234	12,356	395,856	280,174	—	1,833	356,677	9,553	4,994	15,364	5,454
Furvery products and services.....	33	13,868	11,506	—	240,489	20,107	—	—	—	6,261	—	10,722	—
Metal mining, except iron ores, products and services.....	9	37,239	27,169	4,483	271,919	39,856	—	—	705	911	—	1,150	—
Chemical and fertilizer material products and services.....	33	9,964	7,635	3,181	299,123	19,748	—	—	—	8,679	—	10,497	—
Export managerial services.....	18	22,876	22,775	16,260	138,498	22,832	—	31	—	3,999	11	14,536	31
Computer software.....	20	99,015	99,291	73,906	341,802	97,045	—	—	—	6,037	—	68,198	—
Motion picture distribution.....	32	16,441	10,182	5,237	279,283	29,981	—	65	7,065	1,908	—	4,815	579
Engineering and architectural services.....	22	1,577	1,611	177	89,142	6,179	—	—	—	1,648	—	292	—
<b>Manufactured products</b> .....	<b>2,294</b>	<b>5,095,878</b>	<b>4,217,341</b>	<b>2,886,255</b>	<b>73,734,321</b>	<b>16,685,772</b>	<b>2,343,600</b>	<b>204,179</b>	<b>11,813,722</b>	<b>1,559,922</b>	<b>66,109</b>	<b>3,276,837</b>	<b>275,435</b>
Ordnance and accessories.....	4	15,719	15,680	3,040	10,059	837	—	—	—	7	—	7	—
Ammunition, except for small arms.....	4	15,719	15,680	3,040	10,069	837	—	—	—	7	—	7	—
Food and kindred products.....	147	136,727	131,701	79,438	2,500,802	658,588	80,548	58,504	540,314	39,609	735	124,165	1,427
Meat products.....	41	31,271	31,104	17,013	727,170	292,830	37,865	38,951	296,787	1,704	735	16,401	880
Canned and preserved fruits, vegetables and seafoods.....	8	9,108	9,057	3,662	264,642	11,195	—	—	—	2,417	—	4,504	—
Grain mill products.....	9	37,228	35,680	31,078	209,175	42,347	—	—	—	11,561	—	34,958	—
Beverages.....	9	9,473	9,342	314	138,988	49,517	—	1	16,612	8,035	—	13,871	—
Tobacco manufactures.....	10	80,718	79,623	8,220	2,969,015	305,886	—	70	—	147,729	—	214,329	—
Cigarettes.....	3	62,274	62,137	1,691	2,268,159	281,209	—	—	—	146,723	—	205,383	—
Tobacco stemming and reworking.....	6	17,534	17,430	5,943	559,855	17,250	—	—	—	906	—	3,707	—
Textile mill products.....	17	2,449	2,376	376	181,117	9,991	—	8,430	6,763	1,196	—	4,715	—
Yarn and thread mills.....	8	848	813	27	30,397	2,435	—	—	—	—	—	1,850	—
Apparel and other finished products made from fabrics and similar materials.....	5	1,841	1,580	59	16,182	2,122	—	139	115	328	—	1,098	—
Lumber and wood products, except furniture.....	34	93,567	62,245	45,751	930,795	469,191	100,020	81,872	399,716	14,680	—	75,124	682
Millwork, veneer, plywood, and prefabricated structural wood products.....	9	54,355	45,684	33,083	390,693	217,783	100,020	81,730	281,177	14,398	—	20,577	682
Furniture and fixtures.....	14	4,525	4,503	3,718	52,436	17,166	—	—	13,095	947	—	3,151	—
Office furniture.....	3	4,231	4,219	3,702	36,940	1,670	—	—	—	—	—	1,087	—
Paper and allied products.....	52	156,044	135,704	97,360	1,669,288	263,221	23,597	3,304	32,857	108,128	953	164,983	2,147
Pulp mills.....	8	53,345	52,938	43,838	314,895	63,364	—	—	—	33,388	—	39,825	—
Paper mills, except bulking paper mills.....	8	25,891	9,691	17,499	123,279	28,569	19,293	—	17,177	5,293	4	12,349	150
Paperboard mills.....	47	18,908	6,562	905	578,731	88,536	4,303	7	2,154	57,797	949	60,888	1,996
Converted paper and paperboard products, except boxes.....	15	41,580	41,135	29,050	364,218	49,742	—	3,297	13,626	9,628	—	22,447	—
Paperboard containers and boxes.....	11	651	—	—	41,862	5,194	—	—	—	—	—	4,427	—
Building paper and building board mills.....	6	9,875	9,865	6,069	146,182	27,717	—	—	—	6,789	—	24,158	—
Printing, publishing, and allied products.....	57	30,510	16,678	7,787	191,020	27,673	12,817	725	9,628	8,280	24	10,841	2,065
Periodicals, publishing, printing.....	6	3,147	2,851	1,482	16,990	3,301	—	—	—	1,295	—	1,389	11
Books.....	47	18,908	6,562	205	133,112	20,536	—	—	—	5,697	—	8,129	—
Chemicals and allied products.....	173	1,337,691	1,071,698	1,047,039	12,209,528	2,307,578	1,301,753	13,571	1,649,345	625,807	47,491	972,008	121,848
Industrial inorganic and organic chemicals.....	39	632,280	414,890	691,482	3,824,475	447,010	1,259,250	10,718	1,027,773	61,578	44,771	212,452	115,358
Plastic materials, synthetic and other man-made fibers.....	16	308,888	299,262	144,095	1,157,518	783,162	—	83	—	454,474	—	528,976	—
Drugs.....	50	173,161	149,235	88,290	1,898,155	603,776	3,173	183	463,970	6	—	46,547	779
Soaps, detergents, and toilet preparations.....	15	15,698	13,039	5,643	68,856	19,128	—	—	—	3,805	—	8,289	—
Faints and allied products.....	8	8,823	6,536	5,097	29,232	19,208	—	24	16,169	87	—	277	9
Gum and wood chemicals.....	8	49,665	49,189	33,199	486,774	92,683	107	1	—	9,978	1	55,105	—
Agricultural chemicals.....	3	17,508	17,448	11,346	214,098	117,809	—	—	98,731	8,086	—	12,022	—

Foreign Sales Corporations, 1967

## All Returns of Active Foreign Sales Corporations

Table 1.—Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Major Product or Service—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major product or service	Total non-foreign trade deductions (14)	Net income			Net income (loss deficit) (18)	Net income (19)	Deficit (20)	Taxable income (21)	Net exempt income		Total tax (24)	Income tax (25)
		Administrative (15)	Non-administrative (16)	Non-foreign trade (17)					Administrative (22)	Non-administrative (23)		
All products and services	190,439	1,188,034	243,749	18,145	1,294,109	1,294,919	811	1,291,673	2,006,398	104,534	507,111	805,028
Nonmanufactured products and services	1,867	106,870	47,369	538	118,746	118,900	153	118,897	199,871	20,355	45,224	45,115
Gins and soybeans	—	45,795	29,731	59	45,856	45,856	—	45,856	85,864	12,742	1,873	1,873
Cotton	23	6,720	—	285	4,614	4,665	51	4,665	12,600	—	533	533
Crops, except cotton, gins, and soybeans	—	5,955	—	40	1,625	1,637	12	1,637	10,303	—	5,389	5,389
Livestock and livestock products	1,788	762	12,554	45	13,361	13,361	—	13,361	6,033	5,380	1,274	1,273
Fishery products and services	—	13,218	—	—	3,122	3,122	—	3,122	6,264	—	5,249	5,249
Metal mining, except non-ores, products and services	—	3,218	—	—	3,218	3,218	—	3,218	6,033	—	1,212	1,212
Chemical and fertilizer mineral products and services	10	2,885	—	21	2,865	2,909	24	2,909	5,411	—	1,159	1,159
Export management services	—	10,070	—	—	10,071	10,071	—	10,069	18,043	—	3,664	3,664
Computer software	—	8,754	1,230	65	10,048	10,048	—	10,048	16,413	—	3,682	3,675
Motion picture distribution	—	1,471	—	—	1,470	1,473	3	1,473	2,768	—	595	595
Engineering and architectural services	—	1,881,164	196,381	15,807	1,175,382	1,176,020	657	1,172,776	1,806,424	84,178	461,887	459,913
Manufactured products	188,571	1,081,164	196,381	15,807	1,175,382	1,176,020	657	1,172,776	1,806,424	84,178	461,887	459,913
Outfance and accessories	—	562	—	—	531	562	31	562	268	—	259	259
Ammunitions, except for small arms	—	562	—	—	531	562	31	562	268	—	259	259
Food and kindred products	58,712	23,669	3,780	-208	24,310	24,330	20	24,330	21,964	1,620	7,913	7,913
Meat products	39,394	4,279	3,281	-443	4,185	4,185	—	4,185	8,022	1,406	1,422	1,445
Canned and unreserved fruits, vegetables and specialties	—	2,328	—	—	2,328	2,328	—	2,328	4,254	—	868	868
Grain mill products	—	2,570	—	—	2,570	2,570	—	2,570	4,819	—	970	970
Beverages	—	3,629	—	—	3,629	3,629	—	3,629	6,805	—	1,384	1,380
Tobacco manufactures	6	31,634	—	65	31,699	31,699	—	31,699	39,313	—	12,749	12,733
Cigarettes	—	26,027	—	—	26,027	26,027	—	26,027	48,799	—	10,414	10,398
Tobacco stemming and redrying	—	4,711	—	—	4,711	4,711	—	4,711	8,333	—	2,009	2,009
Textile mill products	8,345	1,640	—	85	1,725	1,729	4	1,729	3,074	—	680	680
Yarn and finished mills	—	204	—	—	204	204	—	204	382	—	72	72
Apparel and other finished products made from fabrics and similar materials	139	268	—	—	268	268	—	267	502	—	107	107
Lumber and wood products, except furniture	80,718	30,545	1,261	1,155	32,962	32,962	2	32,962	57,481	540	12,900	12,863
Milk, cream, yogurt, and prefabricated structural wood products	80,715	3,302	1,261	1,015	5,577	5,577	—	5,577	6,381	540	2,040	2,039
Furniture and fixtures	—	320	—	—	320	320	—	320	600	—	123	123
Office furniture	3,160	28,593	1,493	143	30,220	30,220	2	30,218	53,612	636	12,123	12,014
Paper and allied products	—	8,188	—	—	8,188	8,189	2	8,188	15,352	—	3,282	3,282
Pulp mills	—	5,842	—	—	5,842	5,842	—	5,842	10,718	—	2,820	2,808
Paper mills, except building paper mills	—	1,376	—	—	1,376	1,376	—	1,376	2,570	—	3,909	3,909
Paperboard mills	—	9,765	107	7	9,765	9,765	—	9,765	18,097	46	3,909	3,909
Converted paper and paperboard products, except boxes	3,160	3,608	—	137	3,744	3,744	—	3,738	6,764	—	1,513	1,486
Paperboard containers and boxes	—	257	—	—	257	257	—	257	500	—	107	107
Building paper and building board mills	—	1,238	—	—	1,238	1,238	—	1,238	2,321	—	492	492
Printing, publishing, and allied products	35	5,855	787	690	6,537	6,544	8	6,544	10,978	337	2,366	2,364
Periodicals publishing, printing	—	665	—	—	665	665	—	665	1,247	—	256	256
Books	—	4,350	—	—	4,937	4,937	—	4,937	8,156	—	1,734	1,732
Chemicals and allied products	3,710	228,531	149,947	9,861	230,435	230,465	29	230,436	422,981	84,263	115,820	115,524
Inorganic and organic chemicals	3,674	48,641	147,959	704	107,547	107,547	5	107,547	90,717	63,411	43,063	42,959
Plastic materials, synthetic and other man-made fibers	—	85,502	—	83	85,585	85,585	—	85,585	165,684	19	35,406	35,296
Drugs	12	33,248	44	171	33,464	33,474	10	33,445	62,349	—	13,311	13,276
Dyes	—	3,710	—	—	3,710	3,710	—	3,710	7,069	—	1,411	1,408
Soaps, detergents, and toilet preparations	2	960	—	13	972	984	11	984	1,802	—	528	528
Paints and allied products	—	13,071	12	—	13,083	13,083	—	13,083	24,077	5	5,288	5,288
Gum and wood chemicals	—	2,455	—	—	2,455	2,455	—	2,455	4,603	—	969	968
Agricultural chemicals	—	2,455	—	—	2,455	2,455	—	2,455	4,603	—	969	968

## All Returns of Active Foreign Sales Corporations

Table 1.—Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Major Product or Service—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major product or service	Number of returns	Total assets	Commissions and accounts receivable	Total current and long-term liabilities	Schedule P gross receipts	Total income			Cost of goods sold	Direct costs		Total foreign trade deductions	
						Administrative foreign trade	Non-administrative foreign trade	Non-foreign trade		Administrative	Non-administrative	Administrative	Non-administrative
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Manufactured products—Continued													
Rubber and miscellaneous plastic products	65	28,961	24,315	14,832	882,387	68,379	13,307	380	26,135	9,355	—	27,418	1,627
Leather and leather products	4	8,735	4,420	517	681,004	36,880	—	341	—	4,375	—	19,456	—
Footwear, except rubber	23	60,476	53,566	49,623	597,735	244,670	177,348	—	390,242	6,473	5,925	10,645	9,518
Stone, clay, glass and concrete products	21	22,104	20,366	11,817	516,736	44,808	—	—	—	3,550	—	24,081	—
Glass products, made or purchased glass	16	12,753	12,372	6,570	248,269	21,857	—	—	—	215	—	10,147	—
Primary metal products	56	79,273	78,854	48,905	1,060,017	125,099	—	1	16,751	38,449	—	68,050	—
Iron and steel foundries	30	12,170	12,131	2,419	159,182	12,031	—	—	—	217	—	1,152	—
Rolling, drawing, and extruding of nonferrous metals	4	10,441	10,427	8,543	18,450	18,450	—	—	16,751	180	—	859	—
Fabricated metal products, except ordnance, machinery and transportation equipment	152	99,942	89,251	53,610	1,319,936	170,086	46,634	5,194	76,681	10,509	53	59,999	5,182
Cutlery, hand tools, and general hardware	44	24,516	23,866	19,256	207,183	19,391	—	101	32,974	1,782	53	6,753	5,182
Heating apparatus and plumbing fixtures	32	16,738	14,156	9,590	243,621	45,105	—	67	19,913	3,087	—	16,130	—
Fabricated structural metal products	6	348	339	185	24,389	1,387	—	—	—	12	—	20	—
Screw machine products	30	66	63	46	5,000	408	—	2	—	—	—	7	—
Metal stampings	9	5,241	5,181	513	157,397	16,619	—	—	—	—	—	9,464	—
Machinery, except electrical	358	1,184,080	969,791	594,593	13,356,565	2,287,366	81,630	11,177	1,240,125	240,894	1,139	433,282	33,130
Engines and turbines	13	446,537	275,620	275,726	2,970,779	1,344,033	36,891	47	1,091,824	16,834	452	84,287	22,008
Farm machinery and equipment	16	16,777	15,855	11,680	97,270	13,153	—	38	8,863	5,653	—	9,587	417
Construction, mining, and materials handling equipment	38	23,873	10,387	9,387	2,041,420	100,891	6,549	135	17,063	19,179	270	36,833	4,262
Metalworking machinery and equipment	13	4,020	3,769	1,114	70,171	9,287	—	—	—	1,186	—	6,430	—
Special industry machinery, except metalworking	23	72,802	46,067	48,879	444,716	72,765	26,996	9,724	40,475	9,255	390	14,349	6,346
General industry machinery and equipment	23	12,680	12,471	1,888	411,470	17,416	—	—	—	3,725	—	5,499	—
Office, computing, and accounting machines	124	541,817	540,160	210,963	6,735,710	645,200	—	223	54,920	174,716	—	246,175	—
Service industry machines	35	36,781	29,869	23,456	156,290	44,928	—	—	23,248	2,577	—	12,671	—
Electrical machinery, equipment, and supplies	536	644,947	544,280	314,372	9,745,845	1,213,516	167,098	19,372	376,445	107,638	70	568,562	21,491
Electrical industrial apparatus	41	11,521	11,446	9,141	312,844	17,139	—	28	2,896	17,139	—	2,986	—
Household appliances	17	17,123	16,614	6,383	632,826	58,889	—	—	4,908	14,696	—	35,198	—
Electric lighting and wiring equipment	5	9,002	8,179	5,882	129,471	13,109	—	—	—	3,991	—	6,289	—
Radio and television sets, except communications	31	15,990	15,990	11,929	68,687	5,684	—	—	—	—	—	2,759	—
Communication equipment	55	93,											

All Returns of Active Foreign Sales Corporations

Table 1.—Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Major Product or Service—Continued

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major product or service	Total non-foreign trade deductions (14)	Net income			Net income (less deficit) (18)	Net income (19)	Deficit (20)	Taxable income (21)	Net exempt income		Total tax (24)	Income tax (25)
		Administrative (15)	Non-administrative (16)	Non-foreign trade (17)					Administrative (22)	Non-administrative (23)		
<b>Manufactured products—Continued</b>												
Rubber and miscellaneous plastic products	7	8,993	455	373	9,821	9,831	9	9,831	16,862	195	4,007	4,000
Tires and inner tubes	7	5,949	—	334	6,283	6,283	—	6,283	11,155	—	2,581	2,575
Leather and leather products	—	3,243	1,603	99	4,945	4,948	3	4,948	6,090	687	1,853	1,849
Footwear, except rubber	—	93	—	—	93	97	—	97	175	—	38	37
Stone, clay, glass and concrete products	—	7,210	—	—	7,210	7,210	—	7,210	13,518	—	3,388	2,783
Glass products, made or purchased glass	—	4,073	—	—	4,073	4,073	—	4,073	7,637	—	1,521	1,521
Primary metal products	—	14,017	—	1	14,018	14,018	—	14,018	26,281	—	5,496	5,482
Iron and steel foundries	—	3,982	—	—	3,982	3,982	—	3,982	7,467	—	1,589	1,575
Rolling, drawing, and extruding of nonferrous metals	—	292	—	—	292	292	—	292	548	—	117	117
Fabricated metal products, except exchange, machinery and transportation equipment	4,749	21,601	9,655	445	31,711	31,719	8	31,719	40,177	4,142	12,309	12,289
Cutlery, hand tools, and general hardware	27	2,542	9,655	74	12,261	12,261	—	12,261	4,766	4,142	4,854	4,846
Heating apparatus and plumbing fixtures	53	3,152	—	14	3,166	3,166	—	3,166	5,910	—	1,252	1,250
Fabricated structural metal products	—	475	—	—	475	476	1	476	891	—	195	195
Screw machine products	7	139	—	—	134	140	6	140	261	—	41	41
Metal stampings	—	2,489	—	—	2,489	2,489	—	2,489	4,696	—	976	976
Machinery, except electrical	10,092	211,661	17,784	1,085	220,112	220,275	163	219,568	381,895	7,658	85,489	85,305
Engines and turbines	—	53,156	10,418	47	53,202	53,322	119	53,322	85,483	4,465	21,364	21,271
Form machinery and equipment	1	1,240	4	—	1,282	1,284	3	1,284	2,206	2	492	492
Construction, mining, and materials handling equipment	106	16,694	1,601	29	18,324	18,337	14	17,630	31,301	686	7,304	7,282
Metallurgical machinery and equipment	—	994	—	—	994	995	1	995	1,653	—	400	400
Special industry machinery, except metallurgical	8,988	7,429	5,237	735	13,401	13,401	—	13,401	19,929	2,281	4,958	4,958
General industry machinery and equipment	—	4,145	—	—	4,145	4,145	—	4,145	7,772	—	1,589	1,587
Office, computing, and accounting machines	49	119,690	—	174	119,864	119,869	16	119,890	224,415	—	45,941	45,877
Service industry machines	—	1,786	—	—	1,786	1,786	—	1,786	3,415	—	700	700
Electrical machinery, equipment, and supplies	18,842	157,729	3,454	530	161,712	162,018	306	162,018	224,345	1,460	63,071	62,795
Electrical industrial apparatus	1	3,378	—	27	3,405	3,405	—	3,405	6,334	—	1,288	1,288
Household appliances	—	6,533	—	—	6,534	6,534	—	6,534	12,250	—	2,610	2,608
Electric lighting and wiring equipment	2	2,379	—	—	2,379	2,379	—	2,379	4,461	—	908	906
Radio and television sets, except communication	—	570	—	—	570	570	—	570	1,256	—	155	155
Communication equipment	—	25,369	—	1	25,369	25,369	—	25,369	41,187	—	10,135	9,949
Electronic components and accessories	508	63,917	3,463	377	67,757	68,050	293	68,050	83,446	1,464	26,199	26,178
Transportation equipment	9	272,622	357	639	273,618	273,635	17	273,635	388,157	153	108,854	108,809
Motor vehicles and motor vehicle equipment	—	59,668	50	408	59,525	59,529	—	59,529	106,818	21	23,670	23,645
Aircraft and parts	9	197,057	308	231	197,596	197,604	9	197,604	269,103	132	78,712	78,671
Ship and boat building and repairing	—	401	—	—	401	407	—	407	920	—	61	61
Professional, scientific, and controlling instruments, photographic and optical goods, watches and clocks	27	22,155	5,762	61	22,236	22,259	22	22,259	38,341	2,469	8,713	8,715
Engineering, laboratory and scientific equipment	—	3,590	—	—	3,590	3,590	—	3,590	6,732	—	1,674	1,386
Instruments for measuring physical characteristics	25	9,923	20	24	9,967	9,973	10	9,973	15,441	9	3,525	3,523
Optical instruments and lenses	—	1,940	—	—	1,940	1,940	—	1,940	3,404	—	804	801
Surgical, medical, and dental instruments and supplies	2	6,074	—	—	6,072	6,084	12	6,084	11,389	—	2,443	2,418
Photographic equipment and supplies	—	627	5,742	40	6,072	6,087	12	6,087	11,389	2,461	267	266
Miscellaneous manufactured products and manufactured products not allocable	21	10,318	73	584	10,976	11,007	31	10,874	18,390	31	3,628	3,624
Toys, amusement, sporting and athletic goods	—	2,588	—	3	2,589	2,589	—	2,589	5,216	—	662	662

Note: Detail may not add to total because only selected products and services are included.

All Returns of Active Foreign Sales Corporations

Table 2.—Assets, Receipts, Deductions, Net Income, Exempt Income and Taxes of FSC, by Country of Incorporation

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country	Number of returns (1)	Total assets (2)	Commissions and accounts receivable (3)	Total current and long-term liabilities (4)	Schedule P gross receipts (5)	Total income			Cost of goods sold (9)	Direct costs		Total foreign trade deductions	
						Administrative foreign trade (6)	Non-administrative foreign trade (7)	Non-foreign trade (8)		Administrative (10)	Non-administrative (11)	Administrative (12)	Non-administrative (13)
<b>All countries, total</b>	<b>2,613</b>	<b>5,562,757</b>	<b>4,579,930</b>	<b>3,116,065</b>	<b>84,280,131</b>	<b>17,629,033</b>	<b>2,858,229</b>	<b>206,584</b>	<b>12,294,906</b>	<b>1,787,658</b>	<b>108,169</b>	<b>3,647,521</b>	<b>337,894</b>
<b>Latin America, total</b>	<b>367</b>	<b>665,406</b>	<b>642,325</b>	<b>337,228</b>	<b>10,095,693</b>	<b>1,306,824</b>	<b>99,111</b>	<b>2,468</b>	<b>618,742</b>	<b>189,676</b>	<b>452</b>	<b>399,176</b>	<b>38,121</b>
Barbados	163	326,616	316,810	142,069	4,673,668	789,201	38,802	1,416	416,844	54,220	452	194,884	22,047
Jamaica	204	338,790	325,515	194,161	5,383,015	517,623	60,509	1,052	201,898	115,456	—	214,291	14,074
<b>Europe, total</b>	<b>51</b>	<b>958,359</b>	<b>700,187</b>	<b>726,299</b>	<b>10,260,889</b>	<b>625,580</b>	<b>1,481,483</b>	<b>7,493</b>	<b>1,141,830</b>	<b>288,155</b>	<b>48,657</b>	<b>314,899</b>	<b>123,165</b>
Netherlands	51	958,359	700,187	726,299	10,260,889	625,580	1,481,483	7,493	1,141,830	288,155	48,657	314,899	123,165
<b>Asia, total</b>	<b>11</b>	<b>10,526</b>	<b>5,488</b>	<b>7,651</b>	<b>40,315</b>	<b>—</b>	<b>40,315</b>	<b>—</b>	<b>32,049</b>	<b>—</b>	<b>70</b>	<b>—</b>	<b>5,745</b>
South Korea	11	10,526	5,488	7,651	40,315	—	40,315	—	32,049	—	70	—	5,745
<b>U.S. possessions, total</b>	<b>2,085</b>	<b>3,905,784</b>	<b>3,217,824</b>	<b>2,036,760</b>	<b>83,549,649</b>	<b>15,677,694</b>	<b>998,939</b>	<b>196,823</b>	<b>10,436,023</b>	<b>1,347,323</b>	<b>88,890</b>	<b>2,922,250</b>	<b>171,375</b>
Guam	380	932,007	583,923	604,010	16,553,042	10,172,079	300,249	142,455	8,790,457	203,701	31,733	452,466	35,473
U.S. Virgin Islands	1,688	2,969,827	2,623,065	1,426,531	46,878,715	5,475,669	698,690	54,052	1,626,705	1,141,064	27,257	2,464,301	135,902
Other U.S. possessions	17	12,950	10,836	6,219	116,892	22,956	—	116	20,861	2,557	—	4,883	—
<b>Country not stated</b>	<b>100</b>	<b>22,681</b>	<b>14,108</b>	<b>8,125</b>	<b>372,594</b>	<b>18,935</b>	<b>38,400</b>	<b>—</b>	<b>34,262</b>	<b>1,505</b>	<b>11,106</b>	<b>1,488</b>	

Country	Total non-foreign trade deductions (14)	Net income			Net income (less deficit) (18)	Net income (19)	Deficit (20)	Taxable income (21)	Net exempt income		Total tax (24)	Income tax (25)
		Administrative (15)	Non-administrative (16)	Non-foreign trade (17)					Administrative (22)	Non-administrative (23)		
<b>All countries, total</b>	<b>190,439</b>	<b>1,188,034</b>	<b>243,749</b>	<b>16,145</b>	<b>1,294,109</b>	<b>1,294,918</b>	<b>811</b>	<b>1,291,873</b>	<b>2,006,398</b>	<b>104,534</b>	<b>507,111</b>	<b>505,028</b>
<b>Latin America, total</b>	<b>1,288</b>	<b>125,176</b>	<b>10,550</b>	<b>1,182</b>	<b>126,489</b>	<b>128,710</b>	<b>220</b>	<b>128,576</b>	<b>206,755</b>	<b>4,521</b>	<b>49,914</b>	<b>49,836</b>
Barbados	1,245	73,273	10,795	1,011	73,821	73,830	9	73,830	110,545	4,626	28,423	28,352
Jamaica	41	51,903	—244	1,011	52,669	52,881	212	52,746	66,210	—105	21,491	21,474
<b>Europe, total</b>	<b>315</b>	<b>107,968</b>	<b>155,422</b>	<b>7,179</b>	<b>168,724</b>	<b>168,735</b>	<b>11</b>	<b>168,028</b>	<b>197,059</b>	<b>68,609</b>	<b>64,390</b>	<b>64,245</b>
Netherlands	315	107,968	155,422	7,179	168,724	168,735	11	168,028	197,059	68,609	64,390	64,245
<b>Asia, total</b>	<b>—</b>	<b>—</b>	<b>1,765</b>	<b>—</b>	<b>1,765</b>	<b>1,765</b>	<b>—</b>	<b>1,765</b>	<b>—</b>	<b>756</b>	<b>508</b>	<b>508</b>
South Korea	—	—	1,765	—	1,765	1,765	—	1,765	—	756	508	508
<b>U.S. possessions, total</b>	<b>188,839</b>	<b>952,292</b>	<b>74,157</b>	<b>7,785</b>	<b>992,676</b>	<b>993,245</b>	<b>570</b>	<b>990,842</b>	<b>1,597,352</b>	<b>31,852</b>	<b>390,904</b>	<b>389,107</b>
Guam	141,292	264,167	16,730	1,163	272,369	272,391	22	272,385	462,728	7,170	107,848	107,639
U.S. Virgin Islands	47,546	686,659	57,428	6,506	716,726	719,273	548	716,876	1,131,877	24,682	282,568	280,979
Other U.S. possessions	—	1,465	—	116	1,580	1,580	—	1,580	2,747	—	498	498
<b>Country not stated</b>	<b>—</b>	<b>2,599</b>	<b>1,855</b>	<b>—</b>	<b>4,454</b>	<b>4,463</b>	<b>9</b>	<b>4,463</b>	<b>5,330</b>	<b>795</b>	<b>1,395</b>	<b>1,332</b>



**All Returns of Active Interest Charge—Domestic International Sales Corporations**

**Table 1.—Assets, Receipts, Deductions, Income and Distributions of IC-DISC and Total Export Gross Receipts of IC-DISC and Related U.S. Persons, by Major Product or Service**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Major product or service	Number of returns	Total assets	Qualified assets	Export property	Total current and long-term liabilities	Total qualified export receipts and nonqualified receipts	Qualified export receipts from the sale of export property	Other qualified export receipts	Cost of sales and operations	Total export promotion and other expenses	Export promotion expenses	Net income (less deficit)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>All products and services</b> .....	<b>1,185</b>	<b>910,910</b>	<b>900,105</b>	<b>46,401</b>	<b>318,316</b>	<b>1,829,245</b>	<b>1,873,285</b>	<b>145,354</b>	<b>1,248,988</b>	<b>323,505</b>	<b>250,079</b>	<b>256,752</b>
<b>Nonmanufactured products and services</b> .....	<b>100</b>	<b>154,215</b>	<b>153,432</b>	<b>1,385</b>	<b>62,408</b>	<b>346,754</b>	<b>217,186</b>	<b>125,353</b>	<b>172,657</b>	<b>132,715</b>	<b>120,001</b>	<b>41,382</b>
Grains and soybeans.....	21	8,040	8,040	—	1,102	26,377	25,343	897	774	752	3,727	752
Crops, except cotton, grains and soybeans.....	23	27,056	26,955	41	10,609	96,515	95,392	842	74,546	842	3,336	9,086
Livestock and livestock products.....	6	18,315	17,640	475	11,259	42,943	38,947	268	37,338	2,294	404	3,321
Chemical and fertilizer mineral products and services.....	3	423	423	—	—	282	275	6	—	—	1	281
Export management services.....	3	350	350	—	414	—	—	23	—	213	—	—190
Computer software.....	11	30,492	30,489	—	—	12,627	11,038	1,589	—	1,216	1,216	11,411
Nation picture distribution.....	3	52,469	52,468	—	36,133	115,513	1,560	113,853	—	110,292	110,197	5,239
Engineering and architectural services.....	4	2,181	2,180	—	621	2,837	—	2,830	1,572	750	637	515
<b>Manufactured products</b> .....	<b>1,085</b>	<b>756,695</b>	<b>746,673</b>	<b>45,016</b>	<b>255,908</b>	<b>1,482,490</b>	<b>1,458,099</b>	<b>20,001</b>	<b>1,078,331</b>	<b>190,790</b>	<b>130,078</b>	<b>215,370</b>
Ordinance and accessories.....	3	1,765	1,754	327	690	4,741	4,615	126	2,651	1,630	1,120	490
Food and kindred products.....	51	40,174	40,125	4,619	14,587	115,527	114,513	638	93,599	13,597	6,896	8,331
Meat products.....	9	6,139	6,139	660	2,596	33,701	33,332	103	28,438	3,932	881	1,332
Canned and preserved fruits, vegetables and seafoods.....	4	6,330	6,330	1,407	756	25,945	25,701	59	21,981	2,064	1,552	1,730
Confectionery and related products.....	3	1,167	1,167	—	87	4,503	4,503	—	3,675	304	266	524
Beverages.....	10	8,743	8,714	2,034	1,520	11,620	11,362	259	7,011	2,046	965	2,563
Tobacco products.....	33	20,836	20,743	2,969	7,841	48,252	46,293	1,902	35,367	8,158	6,577	4,727
Yarn and thread mills.....	3	448	446	42	388	91	91	—	86	20	—	—14
Apparel and other finished products made from fabrics and similar materials.....	12	8,336	8,336	139	4,378	29,944	29,813	132	25,900	2,233	1,923	1,811
Lumber and wood products, except furniture.....	21	19,556	19,488	4,792	3,198	70,718	70,190	144	56,166	7,460	3,807	8,092
Sawmills and planing mills.....	3	6,360	6,307	3,168	907	18,193	17,961	41	14,302	2,611	615	1,280
Milwork, veneer, plywood, and prefabricated structural wood products.....	10	3,514	3,514	280	927	16,039	15,997	35	12,841	1,052	852	2,146
Furniture and fixtures.....	13	5,837	5,837	229	3,453	10,657	10,645	6	8,816	1,213	996	629
Household furniture.....	4	2,437	2,437	149	1,357	5,927	5,927	1	5,013	593	593	257
Paper and allied products.....	12	19,933	19,933	212	11,568	62,654	62,487	167	44,317	14,861	1,397	3,477
Paper mills, except building paper mills.....	3	10,861	10,861	20	8,873	47,274	47,239	35	33,151	13,647	371	4,716
Converted paper and paperboard products, except boxes.....	9	6,705	6,705	192	1,951	9,926	9,853	73	7,058	650	489	2,218
Paperboard containers and boxes.....	3	1,741	1,741	—	706	4,233	4,185	48	4,109	27	19	98
Printing, publishing, and allied products.....	17	22,150	21,843	131	5,106	30,739	30,126	169	20,139	2,576	1,850	8,024
Periodicals: publishing, printing.....	7	9,189	9,189	87	2,869	8,905	8,709	149	4,444	686	571	3,775
Books.....	8	12,501	12,194	44	2,192	15,511	15,501	10	11,114	1,385	870	3,012
Chemicals and allied products.....	46	55,768	55,686	1,675	30,064	137,606	134,772	1,508	113,460	11,183	6,666	12,963
Industrial inorganic and organic chemicals.....	5	22,031	22,031	541	19,091	70,513	70,299	475	64,385	2,905	1,291	3,523
Plastic materials, synthetic and other man-made fibers.....	7	11,623	11,622	437	3,553	19,919	18,996	105	13,299	3,033	2,615	2,987
Drugs.....	4	4,658	4,639	—	2,384	10,773	9,817	21	9,184	1,032	374	547
Soaps, detergents, and toilet preparations.....	6	4,878	4,878	—	178	6,778	6,617	150	4,274	383	263	2,121
Paints and allied products.....	16	2,312	2,312	152	1,114	4,596	4,410	33	2,007	1,707	1,274	881
Petroleum refining and related products.....	5	3,449	3,449	—	313	3,166	3,120	43	960	1,026	778	1,180
Rubber and miscellaneous plastics products.....	17	15,158	15,158	1,073	5,379	32,273	31,147	1,110	25,567	2,388	1,865	4,318
Leather and leather products.....	9	7,410	7,410	1,339	5,291	31,221	31,204	17	26,608	3,482	1,740	1,131
Handbags and other personal leather goods.....	5	266	266	—	—	48	48	—	—	—	—	48
Stone, clay, glass, and concrete products.....	8	4,609	4,609	106	392	4,807	4,578	227	324	336	229	4,147
Glass products, made or purchased glass.....	4	1,455	1,455	106	154	2,417	2,280	137	115	54	7	2,249

All Returns of Active Interest Charge—Domestic International Sales Corporations

Table 1.—Assets, Receipts, Deductions, Income and Distributions of IC-DISC and Total Export Gross Receipts of IC-DISC and Related U.S. Persons, by Major Product or Service—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major product or service	Net income	Deduction	Taxable income	Taxable income attributable to qualified export receipts	Adjusted IC-DISC income subject to deferral computation	Total amount deemed distributed	Current year tax deferred income	Deferred IC-DISC income reported to shareholders	Total actual distributions	Current-year total export gross receipts of IC-DISC and related U.S. persons		
										Total amount	IC-DISC's	All other related U.S. persons, except IC-DISC's
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
All products and services	269,250	3,498	258,130	33,992	217,343	46,888	209,556	267,322	92,858	4,118,994	3,622,085	496,389
Nonmanufactured products and services	41,668	286	41,542	5,189	36,066	6,795	34,748	32,064	11,741	678,375	621,225	55,150
Grains and soybeans	3,739	12	3,739	387	3,303	456	3,283	3,909	6,435	157,358	157,358	—
Crops, except cotton, grains and soybeans	9,171	84	9,164	1,722	7,169	2,050	7,789	5,789	2,498	187,557	180,631	26,927
Livestock and livestock products	3,321	—	3,321	213	3,109	264	3,058	3,202	618	64,008	64,008	—
Chemical and fertilizer mineral products and services	281	—	281	—	281	17	264	133	—	31,680	5,755	25,925
Export management services	—	100	—	—	—	—	—	—	—	22	—	22
Computer software	11,411	—	11,411	218	11,777	891	10,520	10,855	42	44,292	41,993	2,299
Motion picture distribution	5,230	—	5,230	1,969	3,263	2,160	3,071	2,068	—	123,654	123,654	—
Engineering and architectural services	515	—	515	—	515	30	485	941	338	3,915	3,915	—
Manufactured products	218,582	3,211	216,597	28,803	181,277	42,094	174,808	235,258	81,116	3,442,619	3,001,381	441,239
Ordnance and accessories	460	—	460	—	394	98	372	587	244	7,196	7,196	—
Food and kindred products	6,602	271	6,469	1,123	7,000	1,795	6,679	16,458	5,163	407,495	306,400	101,095
Meat products	1,332	—	1,332	83	1,059	183	1,015	1,786	211	60,339	45,318	15,021
Canned and preserved fruits, vegetables and seafoods	1,760	—	1,760	730	1,050	778	1,009	2,966	36	25,718	25,718	—
Confectionery and related products	524	—	524	—	524	15	509	548	9	5,576	5,576	—
Beverages	2,563	—	2,563	—	2,305	394	2,169	7,584	546	72,606	32,476	40,130
Textile mill products	4,758	31	4,758	13	4,684	270	4,494	7,609	4,682	116,668	95,435	21,234
Yarn and thread mills	—	14	—	—	—	—	—	—	—	91	—	91
Apparel and other finished products made from fabrics and similar materials	1,871	60	1,871	74	1,798	138	1,733	1,292	78	40,657	38,892	1,765
Lumber and wood products, except furniture	8,092	—	7,890	750	7,079	928	6,962	5,737	1,016	126,634	100,770	25,865
Sawmills and planing mills	1,280	—	1,222	—	1,222	—	1,222	866	—	24,029	17,961	6,068
Milwork, veneer, plywood, and prefabricated structural wood products	2,146	—	2,146	—	2,118	50	2,096	360	34	17,722	17,651	71
Furniture and fixtures	918	289	918	—	918	18	900	1,457	225	17,088	17,088	—
Household furniture	257	—	257	—	257	—	257	504	51	5,927	5,927	—
Paper and allied products	3,477	—	3,477	—	3,416	117	3,339	3,207	1,314	138,993	101,672	35,321
Paper mills, except building paper mills	476	—	476	—	476	—	476	768	476	47,238	47,238	—
Converted paper and paperboard products, except boxes	2,218	—	2,218	—	2,157	117	2,101	2,338	734	68,722	33,401	35,321
Paperboard containers and boxes	98	—	98	—	98	—	98	101	—	4,185	—	4,185
Printing, publishing, and allied products	8,068	63	8,065	1,833	6,119	2,257	5,806	8,427	1,989	49,710	49,710	—
Periodicals: publishing, printing	3,775	—	3,775	970	2,794	1,022	2,673	3,461	1,065	23,671	23,671	—
Books	3,076	63	3,051	963	2,089	1,082	1,969	4,948	18	20,122	20,122	—
Chemicals and allied products	12,990	28	12,956	390	12,355	1,099	11,981	13,856	5,885	169,576	165,935	3,641
Industrial inorganic and organic chemicals	3,523	—	3,489	577	3,031	615	2,813	1,505	2,934	73,095	70,345	2,750
Plastic materials, synthetic and other man-made fibers	2,997	—	2,997	3	2,949	89	2,849	4,569	696	22,806	22,806	—
Drugs	565	18	565	—	565	—	565	1,002	100	10,768	9,977	791
Soaps, detergents, and toilet preparations	2,121	—	2,121	—	2,073	138	2,068	2,329	88	15,187	15,187	—
Paints and allied products	891	—	891	—	866	59	832	445	900	6,901	6,901	—
Petroleum refining and related products	1,180	—	1,180	—	1,180	—	1,180	1,916	193	14,044	14,044	—
Rubber and miscellaneous plastics products	4,319	1	3,693	109	3,306	430	3,269	3,833	95	51,655	51,655	—
Leather and leather products	1,131	—	1,131	—	1,131	20	1,126	837	146	36,330	36,330	—
Handbags and other personal leather goods	48	—	48	—	48	3	45	206	—	709	709	—
Stone, clay, glass, and concrete products	4,147	—	4,147	618	3,455	733	3,419	1,486	2,190	71,598	47,897	23,711
Glass products, made or purchased glass	2,249	—	2,249	618	1,631	622	1,627	260	1,659	58,567	34,876	23,711

All Returns of Active Interest Charge—Domestic International Sales Corporations—Continued

Table 1.—Assets, Receipts, Deductions, Income and Distributions of IC-DISC and Total Export Gross Receipts of IC-DISC and Related U.S. Persons, by Major Product or Service—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major product or service	Number of returns	Total assets	Qualified assets	Export property	Total current and long-term liabilities	Total qualified export receipts and nonqualified receipts	Qualified export receipts from the sale of export property	Other qualified export receipts	Cost of sales and operations	Total export promotion and other expenses	Export promotion expenses	Net income (less deficit)
Manufactured products—Continued												
Primary metal products	55	29,897	25,897	106	3,560	70,621	70,437	179	60,186	1,643	933	8,792
Iron and steel foundries	3	875	875	—	703	4,440	4,440	—	3,947	46	21	447
Fabricated metal products, except ordnance, machinery, and transportation equipment	78	38,604	38,542	2,588	8,276	48,323	47,096	1,118	29,031	6,306	4,910	12,986
Cutlery, hand tools, and general hardware	5	1,492	1,492	—	388	4,004	4,004	—	2,412	935	834	657
Fabricated structural metal products	132	2,460	2,460	—	584	4,087	3,954	133	3,089	222	213	777
Metal stampings	7	2,155	2,154	8	98	2,141	2,136	—	1,491	30	8	620
Machinery, except electrical	169	104,173	100,133	4,558	27,325	166,430	162,133	3,673	114,311	22,883	17,028	29,236
Engines and turbines	5	4,063	4,063	—	119	2,301	2,255	47	613	840	469	848
Farm machinery and equipment	5	2,017	2,017	—	9	15,352	15,320	32	14,322	393	206	637
Construction, mining, and materials handling machinery	18	19,430	16,433	2,306	6,048	14,340	13,500	416	8,125	4,028	3,313	2,187
Metalworking machinery and equipment	11	4,941	4,938	—	7,335	8,076	7,819	256	6,253	785	632	1,038
Special industry machinery, except metalworking machinery	39	24,520	24,529	1,875	7,714	59,457	57,894	1,671	43,275	8,032	5,238	8,150
General industrial machinery and equipment	17	9,610	9,610	175	1,849	18,823	18,642	181	14,547	2,008	1,803	2,268
Office, computing, and accounting machines	8	4,801	4,801	—	476	3,217	3,009	150	1,142	275	194	1,800
Electrical machinery, equipment, and supplies	209	121,839	118,501	6,072	37,409	207,564	202,995	3,781	146,093	28,738	23,798	32,738
Electrical industrial apparatus	36	3,271	3,271	99	1,559	7,175	7,154	12	5,368	645	499	1,162
Household appliances	3	4,451	4,451	—	—	1,157	1,022	135	—	—	—	1,157
Radio and television receiving sets, except communication types	3	1,614	1,614	500	606	2,009	1,991	18	1,401	451	406	157
Communication equipment	21	5,718	5,715	517	429	4,686	4,281	332	2,280	615	512	1,792
Electronic components and accessories	60	54,940	51,649	4,022	16,793	94,560	93,185	1,224	67,832	14,142	11,876	12,786
Transportation equipment	73	75,552	75,234	8,534	24,537	145,162	142,925	1,753	101,162	20,776	15,719	23,224
Motor vehicles and motor vehicle equipment	47	37,211	37,204	2,124	7,947	54,082	52,813	937	36,445	5,456	3,954	12,180
Aircraft and parts	18	33,180	32,875	5,843	14,946	79,105	78,322	639	57,359	14,053	10,742	7,693
Railroad equipment	3	2,271	2,271	266	1,247	4,875	4,774	101	2,200	438	343	2,147
Professional, scientific, and controlling instruments, photographic and optical goods, watches and clocks	138	83,134	83,021	2,426	25,426	107,336	105,112	2,064	60,309	13,472	9,802	33,555
Engineering, laboratory, and scientific and research instruments	25	46,289	46,289	1,704	16,100	49,577	48,280	1,257	24,676	3,802	2,612	21,099
Instruments for measuring physical characteristics	86	13,107	12,997	90	3,633	13,466	13,310	153	9,958	2,701	2,346	3,806
Surgical, medical, and dental instruments and supplies	29	16,951	16,958	671	3,881	32,289	31,620	611	19,786	6,019	4,621	6,484
Ophthalmic goods	7	3,225	3,225	—	200	8,424	8,384	27	6,966	33	31	1,458
Photographic equipment and supplies	12	3,552	3,552	—	1,612	3,580	3,580	16	1,923	917	202	741
Miscellaneous manufactured products	110	81,741	80,188	3,122	37,112	153,331	150,503	1,341	111,558	26,931	21,707	15,083
Musical instruments	5	4,025	4,025	—	2,238	9,615	9,490	124	8,469	340	197	806
Toys, amusement, sporting and athletic goods	13	7,189	7,145	101	678	11,286	11,286	183	6,534	2,374	2,173	2,818
Rings, pencils, and other office and stationery materials	4	2,108	2,108	—	945	8,423	8,421	2	6,597	1,524	896	302
Costume jewelry, costume novelties, buttons, and miscellaneous notions, except precious metal	5	322	322	—	66	—	—	—	—	—	—	—

All Returns of Active Interest Charge—Domestic International Sales Corporations  
 Table 1.—Assets, Receipts, Deductions, Income and Distributions of IC-DISC and Total Export Gross Receipts of IC-DISC and Related U.S. Persons, by Major Product or Service—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major product or service	(18)	(19)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Net income	Taxable income	Deductible income to carry forward	IC-DISC income to carry forward	Total amount distributed	Current year net deferred income	IC-DISC income to shareholders	Total actual distributions	Total amount	IC-DISC %	All other U.S. persons	IC-DISC %	Total amount	IC-DISC %	All other U.S. persons		
<b>Manufactured products—Continued</b>																	
Form and tank foundations.....	8,792	4,447	—	5,978	447	3,053	10	4,328	7,299	12,152	3,477	183,190	11,140	132,525	50,666	—	—
Fabricated metal products, except Ordnance machinery.....	12,686	12,659	1,324	11,129	657	2,317	10,833	10,833	8,729	14,251	4,289	191,684	188,762	188,762	5,191	—	—
Castings, hand tools and related hardware.....	857	774	—	641	154	154	820	820	857	481	482	9,153	9,153	7,632	2,579	—	—
Fabricated structural metal products.....	777	774	—	641	154	154	820	820	777	481	482	9,153	9,153	7,632	2,579	—	—
Other stampings, electrical.....	30,320	30,837	2,622	26,990	847	4,335	26,990	26,990	30,320	34,011	6,844	422,797	395,901	395,901	26,896	—	—
Engines and turbines.....	637	637	—	610	69	69	610	610	637	448	6,844	20,082	20,082	20,082	—	—	—
Form machinery and equipment.....	3,919	3,919	1,045	2,944	945	1,203	2,944	2,944	3,919	3,776	1,312	50,020	44,371	44,371	6,403	—	—
Special industrial machinery and equipment.....	1,038	1,038	—	838	145	145	838	838	1,038	2,969	3,655	6,308	6,308	6,308	—	—	—
General industrial machinery and equipment.....	8,150	7,957	302	7,641	316	672	7,295	6,986	7,957	6,586	708	105,748	100,246	100,246	5,492	—	—
Other, computing, and accounting machines.....	1,800	1,800	—	1,284	516	516	1,284	1,284	1,800	3,088	77	34,433	33,381	33,381	712	—	—
Electrical industrial apparatus and supplies.....	3,162	3,162	1,330	1,832	1,330	4,007	1,832	1,832	3,162	3,947	1,235	45,188	41,532	41,532	128,897	—	—
Household appliances.....	1,157	1,157	—	1,157	—	—	1,157	1,157	1,157	558	13	14,081	14,081	14,081	—	—	—
Typesetting and letterpress receiving sets, except communication types.....	161	161	—	143	18	18	143	143	161	725	5,829	5,829	5,829	5,829	—	—	—
Communication equipment.....	1,792	1,754	—	1,670	166	166	1,670	1,670	1,792	3,023	2,689	22,266	22,266	22,266	—	—	—
Electronic components and accessories.....	2,966	2,886	—	2,702	184	184	2,702	2,702	2,966	3,339	1,574	308,690	300,361	300,361	129,911	—	—
Trucks, trailers, and motor vehicles.....	23,232	23,152	—	19,120	4,032	4,032	19,120	19,120	23,232	23,339	15,374	308,690	300,361	300,361	129,911	—	—
Motor vehicles and motor vehicle equipment.....	2,693	2,693	—	1,932	761	761	1,932	1,932	2,693	3,339	6,747	198,079	186,670	186,670	8,409	—	—
Agents and parts.....	693	693	—	642	51	51	642	642	693	9,721	5,337	85,047	85,047	85,047	—	—	—
Photographic, scientific, and controlling instruments.....	2,147	2,147	—	1,600	547	547	1,600	1,600	2,147	2,147	1,154	11,874	11,874	11,874	—	—	—
Photographic and optical goods, watches and clocks.....	34,011	33,697	—	20,618	12,935	12,935	20,618	20,618	34,011	24,342	15,696	263,160	261,519	261,519	1,640	—	—
Engineering, laboratory, and scientific and research instruments for measuring physical characteristics.....	21,699	20,830	—	8,477	12,353	12,353	8,477	8,477	21,699	8,481	12,670	134,010	134,010	134,010	—	—	—
Surgical, medical, and dental instruments and supplies.....	4,249	4,223	—	4,107	116	116	4,107	4,107	4,249	5,494	45,244	45,244	45,244	45,244	—	—	—
Photographic equipment and supplies.....	6,497	6,496	—	5,260	1,236	1,236	5,260	5,260	6,497	1,236	1,236	12,773	12,773	12,773	—	—	—
Photographic equipment and supplies.....	1,741	1,732	—	1,718	14	14	1,718	1,718	1,741	964	316	8,865	8,865	8,865	—	—	—
Miscellaneous manufactured products.....	15,518	15,251	—	13,805	1,713	1,713	13,805	13,805	15,518	20,723	2,615	215,220	208,312	208,312	6,908	—	—
Books, periodicals, and other office and mail materials.....	2,918	2,918	—	2,784	134	134	2,784	2,784	2,918	3,779	174	39,773	38,703	38,703	1,070	—	—
Amusement, sporting and athletic goods.....	302	294	—	294	—	—	294	294	302	414	17	9,361	9,361	9,361	—	—	—
Amusement, sporting and athletic goods.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous robots, except tinamous metal.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: Dashes may not add to total because only selected products and services are included.

Section 6

Domestic Corporations Controlled by Foreign Persons

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A foreign person can engage in business activity within the United States either by gaining control of an existing U.S. corporation or incorporating a new company within the United States. Control is defined as direct or indirect ownership of 50 percent of more of a U.S. corporation's voting stock. The income generated by these U.S. companies is taxed in a manner similar to a other domestic corporations.

A domestic corporation primarily owned by a foreign person is taxed on its worldwide income. In general, the same tax rules that apply to other domestic corporations apply to foreign-owned U.S. corporations. Dividends paid by a U.S. company to the foreign owner are subject to a withholding tax of 30 percent of the gross amount. If the recipient of these dividends resides in a country that had a tax treaty with the United States, the withholding rate may be less than 30 percent. (See Section 11 of this compendium for additional information on this topic.)

These foreign-owned domestic corporations file primarily the Form 1120 and are identified for statistical purposes by their answers to Question H(2) on the return. A copy of this form is contained in Section 15 for reference.

\*Form 1120, U.S. Corporation Income Tax Return and Instructions (p. 459)

# Foreign Investment and Activity in the United States Through Corporations, 1984 and 1985

By James R. Hobbs\*

For 1985, the 36,700 domestic corporations each "controlled" by a foreign person generated \$514 billion of worldwide receipts and reported total assets amounting to \$656 billion [1]. These corporations, 1 percent of the U.S. total, accounted for 5 and 6 percent of the assets and receipts, respectively, reported on U.S. corporation income tax returns for both 1984 and 1985 (see Figure A).

**Figure A.—Domestic Corporations Controlled by a Foreign Person as a Percentage of All Corporations, Income Years 1983-1985**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Year and item	All corporation income tax returns	Returns of domestic corporations controlled by a foreign person	
		Number or amount	Percentage of all returns
	(1)	(2)	(3)
<b>1983</b>			
Number of returns ....	2,999,071	33,622	1.12%
Total assets .....	\$10,201,084,144	\$530,334,499	5.20
Total receipts .....	7,135,494,059	389,908,798	5.46
<b>1984</b>			
Number of returns ....	3,170,743	37,401	1.18
Total assets .....	\$11,106,701,948	\$552,597,884	4.98
Total receipts .....	7,800,711,226	459,161,616	5.89
<b>1985</b>			
Number of returns ....	3,277,219	36,677	1.12
Total assets .....	\$12,773,093,888	\$655,695,711	5.13
Total receipts .....	8,398,278,426	513,777,962	6.12

Nearly 11,700 "foreign" corporations (i.e., those incorporated abroad) reported \$51 billion of receipts generated for 1985 from activities "effectively connected" with a U.S. trade or business. The majority, 52 percent, of these receipts were for foreign banks with U.S. branch operations. For 1984, banking operations accounted for 61 percent of the nearly \$44 billion of receipts of foreign corporations from U.S. effectively-connected activities.

## DIRECT FOREIGN INVESTMENT AND ACTIVITY IN THE UNITED STATES

Foreign direct investment in the United States can take several forms, including corporations, partnerships, and joint ventures. Under these forms of direct investment, the foreign investor has sufficient equity in the enterprise so as to control and participate in managing its operations [2].

A foreign direct investor can either gain control of an existing U.S. corporation, or create a new company incorporated in the United States. Another method of operating

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in the United States is through a branch operation of a foreign corporation. This article focuses first on domestic corporations (i.e., companies incorporated in the United States) that are controlled (i.e., owned) by a foreign person, and second, on foreign corporations with branch operations in the United States [3].

There are several factors involved in the decision of a foreign investor to operate in the United States through either a "domestic" or "foreign" corporation [4]. These factors include, but are not necessarily limited to, the following: (1) the investor's short- and long-term objectives; (2) which type of corporation is best suited to penetrate the U.S. market; (3) availability of financial resources; (4) acceptable levels of risk, such as from product liability; (5) U.S. importation policies; (6) requirements on foreign investment by the investor's home country; and (7) both U.S. and home country tax considerations. The U.S. tax structure for both foreign-controlled domestic corporations and for foreign corporations operating in the United States are discussed in this article.

## DOMESTIC CORPORATIONS CONTROLLED BY FOREIGN PERSONS

### U.S. Taxation

Domestic corporations that are controlled by a foreign person are taxed by the United States in a manner similar to that of other domestic corporations. Control is defined for this purpose as 50 percent or more direct or indirect ownership of a corporation's voting stock by at least one foreign entity, such as by another corporation.

For 1985, only 8 percent (3,050 returns) of the 36,677 returns of foreign-controlled domestic corporations indicated an exact 50 percent foreign ownership level. The great majority (nearly 88 percent, or 32,152 returns) indicated that the level of ownership was over 50 percent. Another 1,475 returns (4 percent) only indicated that foreign ownership was 50 percent or more, but failed to provide the exact percentage of ownership [5].

Most domestic corporations are taxed on their worldwide income [6]. This includes corporations that are controlled by foreign persons. In general, the taxable income of a corporation is its gross receipts less ordinary and necessary business deductions and certain statutory special deductions [7].

Unfortunately, the tax return form which is the source of the statistics in this article does not separate U.S.-source taxable income from foreign-source taxable income. (See the section entitled "Data Sources and Limitations.") However, foreign-controlled domestic corporations claimed \$725 million of foreign tax credits for 1985. This amount reduced their total U.S. income tax before credits (\$5.2 billion) by 14 percent. The foreign tax credit is a credit allowed against U.S. income tax for income, war profits and excess profits taxes paid or accrued to foreign countries or U.S. possessions [8]. To claim a foreign tax credit, a corporation had to have generated foreign-source taxable income, paid or accrued foreign income tax on the foreign income, and had a U.S. income tax liability. By comparison, all of the approximately 3.3 million U.S. corporation income tax returns showed a total of \$24.3 billion of foreign tax credits for 1985. This amount reduced their total U.S. income tax before credits (\$111.3 billion) by almost 22 percent (see Table 1).

For taxable years beginning in 1984, the regular corporate tax rates were as follows:

Taxable income	Tax rate
\$25,000 or less	15 percent
\$25,001 to \$50,000	18 percent
\$50,001 to \$75,000	30 percent
\$75,001 to \$100,000	40 percent
Over \$100,000	46 percent

If a corporation's taxable income exceeded \$1 million, then the corporation was liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over \$1 million, or (b) \$20,250.

Corporations that had net long-term capital gains could use an alternative method of tax computation, if it produced a lower amount of tax than under the regular method. Under the alternative method, net long-term capital gains were taxed separately at a rate of 28 percent. The remainder of taxable income was then taxed at the regular rates.

Credits could be used to reduce the tax calculated under either the regular or alternative methods. For both 1984 and 1985, the two largest credits were the foreign tax credit (previously described) and the general business credit. Beginning in 1984, the Tax Reform Act of 1984 created the general business credit by merging together four tax credits that were previously available to taxpayers. They were the investment credit, targeted jobs credit, alcohol fuel credit, and the employee stock ownership plan credit. Other credits claimed by taxpayers for both 1984 and 1985 were the U.S. possessions tax, nonconventional source fuel, and research activities credits. In addition to the regular or alternative tax after credits, a corporation's tax liability could

include a tax from recomputing prior-year investment credits and an additional tax for tax preferences. (Tables 1, 2, and 4 show selected tax items.)

Dividends paid by domestic corporations to the foreign persons that controlled them were generally subject to a withholding tax of 30 percent. However, this tax rate was often lower than 30 percent for recipients of dividends that resided in a foreign country that had a tax treaty with the United States. The tax withheld represented final payment of the actual tax liability on dividend payments in most instances. The responsibility for withholding the tax belonged to the payer (corporation) or its representative (usually a financial institution), rather than the foreign recipient of the dividend [9].

Dividends paid by foreign-controlled domestic corporations to U.S. persons were not subject to the withholding tax applicable to foreign recipients. However, these dividend payments did have to be reported to the Internal Revenue Service by the corporations. In turn, these dividends were reported as income, and taxed accordingly, on the recipient's U.S. income tax return.

**Growth Since 1983**

Foreign involvement in the U.S. corporate sector through foreign-controlled domestic corporations continued to grow substantially during the 1983-1985 period (see Figure A).

Worldwide receipts of domestic corporations controlled by foreign persons increased from \$390 billion for 1983 to \$514 billion for 1985. This was a 32 percent increase, using current dollars. In comparison, receipts reported on all U.S. corporation income tax returns grew from \$7.1 trillion for 1983 to \$8.4 trillion for 1985, an 18 percent increase over the same time period. As a result of the growth rate of receipts shown on all corporate returns increased from 5.46 percent for 1983, to 5.89 and 6.12 percent, for 1984 and 1985, respectively.

By making allowances for inflation through the use of the Gross National Product Implicit Price Deflator, the worldwide receipts, in constant dollars, reported on all U.S. corporation income tax returns increased by 9 percent between 1983 and 1985 [10]. Over the same period, the constant-dollar receipts of foreign-controlled domestic corporations increased by 22 percent.

Total assets of domestic corporations controlled by a foreign person grew at a rate similar to that of assets reported on all U.S. corporation income tax returns. Between 1983 and 1985, assets reported increased from \$530 billion, or 5.20 percent of the total for all returns, to \$656 billion, or 5.13 percent of the total.

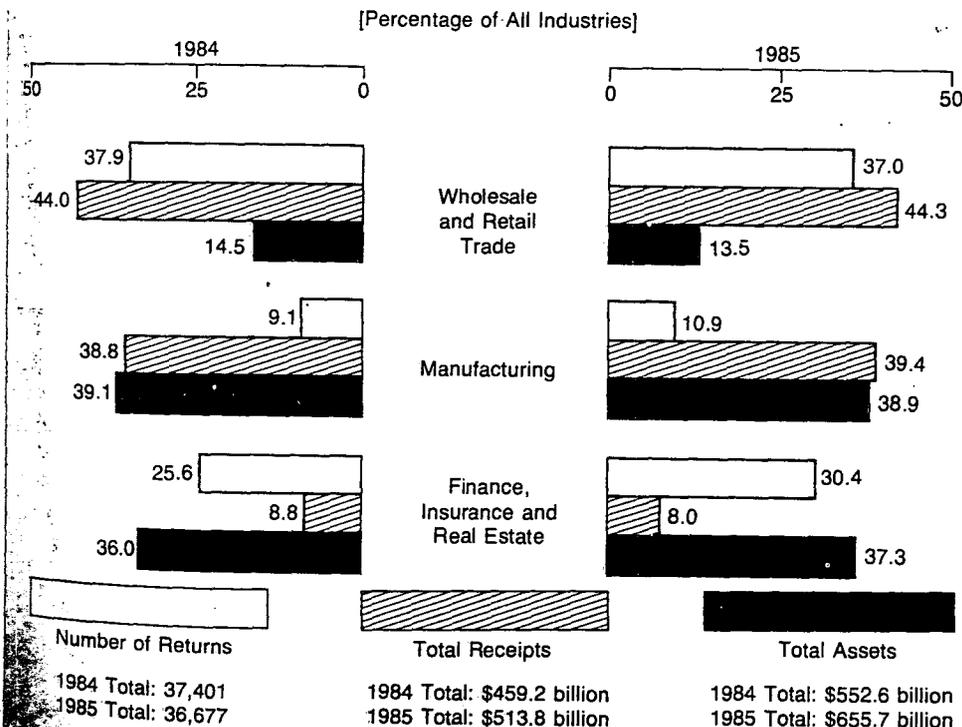
**Industry Characteristics**

Foreign-controlled domestic corporations were involved in every type of industrial activity, but were concentrated mainly in three industrial divisions: wholesale and retail trade; manufacturing; and finance, insurance and real estate (see Figure B and Table 4). For both 1984 and 1985, these three divisions accounted for approximately three-fourths of the returns filed, 92 percent of the total receipts, and 90 percent of the total assets reported by all domestic corporations owned by a foreign person. By comparison, these percentages were higher than those for all companies which filed U.S. corporation income tax returns. For

this group of returns for 1985, the manufacturing; wholesale and retail trade; and finance, insurance, and real estate industrial divisions accounted for 52 percent of the returns filed, 77 percent of the total receipts, and 84 percent of the total assets.

Figure B shows that companies whose principal activity was in one of the three industrial divisions had different characteristics. There were relatively few returns of manufacturing companies (4,011 returns, or 10.9 percent of the total for 1985). However, these companies tended to have large amounts of assets which generated large amounts of receipts. The foreign-owned manufacturers had \$255 bil-

**Figure B**  
Domestic Corporations Controlled by a Foreign Person, by Selected Industrial Divisions, Income Years 1984 and 1985



lion of assets and \$202 billion in total receipts for 1985. On the average, each manufacturer had \$64 million of assets and produced \$50 million of receipts. By comparison, the average foreign-owned nonmanufacturing company had \$12 million and \$10 million of total assets and receipts, respectively [11].

Domestic corporations controlled by a foreign person were involved in the manufacture of many different products. Companies manufacturing petroleum and coal products (including integrated operations) had receipts totalling \$52 billion for 1985. This was 25 percent of all receipts for manufacturing industries. Chemical manufacturers accounted for another \$31 billion of total receipts. In terms of total receipts, other significant manufacturing activities were food and kindred products (\$19 billion), electrical and electronic equipment (\$15 billion), primary metals (\$12 billion), and fabricated metal products (\$10 billion).

Foreign-controlled domestic manufacturing corporations accounted for 7.2 percent of the \$2.8 trillion of worldwide receipts reported by all manufacturing corporations filing U.S. income tax returns for 1985. These companies played substantial roles in certain manufacturing industries, as shown in Figure C. In particular, foreign-controlled domestic corporations manufacturing tobacco products accounted for nearly 23 percent of the receipts of all companies classified in their industry.

The comparative levels of assets and receipts of foreign-owned companies engaged in wholesale and retail trade and those engaged in finance, insurance and real estate differed significantly. Trade companies produced large amounts of receipts (\$227 billion for 1985) with relatively few assets (\$88 billion). Stated another way, this amounted to \$2.58 of receipts for each dollar of assets. On the other hand, companies involved in finance, insurance and real estate had large amounts of assets (\$244 billion for 1985), but only \$41 billion of receipts. These companies produced less than \$0.17 of receipts for each dollar of assets.

**Figure C. — Domestic Corporations Controlled by a Foreign Person as a Percentage of All Corporations, for Selected Manufacturing Industries, Income Year 1985**

(All figures are estimates based on samples—money amounts are in millions of dollars)

Industry	Total receipts		
	All corporation income tax returns (1)	Returns of domestic corporations controlled by a foreign person (2)	Percentage of all returns (3)
Manufacturing, total.....	\$2,831,062	\$202,466	7.2%
Tobacco manufactures.....	41,353	9,409	22.8
Stone, clay, and glass products.....	64,318	8,626	13.4
Chemicals and allied products.....	266,812	30,959	11.6
Leather and leather products.....	14,679	1,626	11.1
Petroleum (including integrated) and coal products.....	469,260	51,629	11.0
Primary metal industries.....	117,347	12,388	10.6

The great majority of trade companies were wholesalers. Many of these companies were U.S. distributors of products made in foreign countries by their parent corporations. For 1985, wholesalers accounted for \$197 billion, or 87 percent, of all receipts by trade companies.

Banks accounted for over 52 percent (\$127 billion for 1985) of the total assets in the finance, insurance and real estate industrial division. These assets produced over \$12 billion of receipts, primarily interest. This 10:1 ratio of assets to receipts was similar to that for all U.S. (i.e., domestically-incorporated) banks.

Other significant areas (in terms of receipts) of the finance, insurance and real estate industrial division were nonbank holding and other investment companies, insurance companies, and real estate companies [12]. For 1985, these companies had total receipts of \$10.5, \$8.1, and \$5.0 billion, respectively.

The services industry (not shown in Figure B) accounted for over 4,000 returns filed for 1985 by foreign-owned domestic corporations. While this industry represented over 11 percent of all returns filed by these corporations, it comprised only about 2 percent of both total assets and receipts for the group.

#### Country Characteristics

Domestic corporations are owned by persons throughout the world. However, for 1985, owners from the eight countries shown in Figure D controlled nearly 53 percent of the 36,677 domestic corporations controlled by a foreign person. (The countries are ranked by decreasing number of returns. They represent the geographic location of the foreign owner's country of residence, incorporation, organization, creation, or administration.) The 19,352 corporations owned by persons from these eight countries accounted for 82 and 86 percent, respectively, of the total assets and receipts of all foreign-controlled domestic corporations.

As previously stated, the worldwide receipts of domestic corporations controlled by a foreign person increased by nearly 32 percent between 1983 and 1985. For the corporations shown in Figure D, the growth rates varied widely. Corporations owned by persons from Switzerland and Japan showed increases in total receipts of 88 and 52 percent, respectively. Percentage increases for Canada (37 percent), West Germany (34 percent), Netherlands Antilles (29 percent), and the United Kingdom (27 percent) approximated the 32-percent average for all countries. Corporations owned by persons from the Netherlands (18 percent) and France (16 percent) had smaller-than-average increases in receipts for the 1983-1985 period.

**Figure D.—Domestic Corporations Controlled by a Foreign Person, by Selected Country of Foreign Owner, Income Year 1985**

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Country	Number of returns (1)	Total assets (2)	Total receipts (3)	Net income (less deficit) (4)	Net income (5)	Total U.S. income tax after credits (6)
All countries, total.....	36,677	\$655,695,711	\$513,777,962	\$2,978,286	\$14,500,125	\$3,576,147
Canada:						
Number or amount.....	6,151	67,531,601	40,458,451	-197,296	1,271,083	200,553
Percentage of total.....	16.8%	10.3%	7.9%	( <sup>1</sup> )	8.8%	5.6%
United Kingdom:						
Number or amount.....	2,841	174,635,073	83,340,020	1,817,698	3,387,943	904,405
Percentage of total.....	7.7%	26.6%	16.2%	( <sup>1</sup> )	23.4%	25.3%
Japan:						
Number or amount.....	2,560	81,084,768	133,489,744	1,327,992	2,759,120	1,117,328
Percentage of total.....	7.0%	12.4%	26.0%	( <sup>1</sup> )	19.0%	31.2%
West Germany:						
Number or amount.....	2,214	35,046,699	42,945,267	536,697	1,424,595	449,478
Percentage of total.....	6.0%	5.3%	8.4%	( <sup>1</sup> )	9.8%	12.6%
Netherlands:						
Number or amount.....	1,747	104,147,817	70,471,893	138,331	1,573,586	205,353
Percentage of total.....	4.8%	15.9%	13.7%	( <sup>1</sup> )	10.9%	5.7%
France:						
Number or amount.....	1,883	27,610,365	25,673,312	-126,433	505,017	132,700
Percentage of total.....	4.6%	4.2%	5.0%	( <sup>1</sup> )	3.5%	3.7%
Switzerland:						
Number or amount.....	1,423	23,328,906	24,169,417	192,447	672,383	199,942
Percentage of total.....	3.9%	3.6%	4.7%	( <sup>1</sup> )	4.6%	5.6%
Netherlands Antilles:						
Number or amount.....	733	22,698,123	20,767,891	-535,965	411,261	52,841
Percentage of total.....	2.0%	3.5%	4.0%	( <sup>1</sup> )	2.8%	1.5%

<sup>1</sup> Not computed.

Domestic corporations controlled by persons from Japan had worldwide receipts of \$133.5 billion for 1985. This amount was far larger than the receipts representing any other country. Japan also had the largest amount of receipts for 1983 and 1984 (see Table 2). Wholesale trade was the predominant activity of Japanese-controlled domestic corporations. This industry group accounted for \$115.7 billion, or 87 percent, of the 1985 receipts of all U.S. corporations with Japanese owners.

Domestic corporations controlled by persons from the United Kingdom had 1985 total receipts of \$83.3 billion. Manufacturing industries were the most common business activities of these corporations, accounting for 58 percent of the total receipts. The finance, insurance, and real estate; wholesale trade; and transportation and public utility industries accounted for an additional 16, 9, and 7 percents, respectively.

Companies owned by persons from the Netherlands had worldwide receipts of \$70.5 billion for 1985. To an even greater extent than those from the United Kingdom, manufacturing industries were the predominant activity of these U.S. corporations, accounting for 74 percent of the receipts of all companies with owners from the Netherlands.

Manufacturing was also the most common business activity of U.S. corporations owned by persons from Canada and Switzerland. This industrial division accounted for 49 and 67 percent, respectively, of the total receipts for these countries.

Manufacturing and wholesaling were equally important for U.S. companies owned by persons from West Germany, France and the Netherlands Antilles. For 1985, these two activities comprised 39 and 34 percent, respectively, of the total receipts of West German-controlled domestic corporations. Corresponding percentages for France were 34 and 41, respectively. Finally, for the Netherlands Antilles, the manufacturing and wholesaling industries accounted for 33 and 30 percent, respectively, of the total receipts of these U.S. companies.

#### Income Statement and Tax Items

The 36,677 domestic corporations controlled by a foreign person generated \$514 billion of total receipts for 1985. Over 92 percent of this total was "business receipts" (i.e., receipts from sales and operations). Interest income of \$22.7 billion accounted for an additional 4 percent of the total. Banks produced the largest part (\$10.5 billion) of the interest receipts. (Briefly, banking items such as fees, commissions, trust department earnings, exchange collections, discounts, and service charges were included in business receipts. Interest, the principal operating income of banks, was shown separately from business receipts.)

These same domestic companies claimed \$511 billion in deductions for 1985. Cost of sales and operations were \$358 billion, or 70 percent of the total. Interest paid (\$28 billion, including \$7.3 billion paid to depositors by banks) and depreciation (\$16 billion) accounted for 5 and 3 percent, respectively, of the total deductions.

The net income (less deficit) for these companies was \$3 billion for 1985 [13]. This was the result of 15,882 corporations reporting \$14.5 billion of profits (as computed under the Internal Revenue Code) and 20,795 companies reporting \$11.5 billion of deficits [14]. Thus, only 43 percent of the domestic corporations with foreign owners reported profits for 1985. By comparison, 56 percent of all corporations filing U.S. income tax returns for 1985 reported profits which totalled \$363.9 billion. The deficits for all corporations were \$123.7 billion, resulting in a net income (less deficit) amount of \$240.1 billion.

It is instructive to compare the rate of return on assets for all corporations filing U.S. tax returns to that for foreign-controlled corporations. For this purpose, rate of return on assets is defined as net income (less deficit) as a percentage of total assets. As shown in Figure E, foreign-controlled domestic corporations had a low (0.45 percent) rate of return as compared to all corporations (1.88 percent), for 1985.

The data for 1985 reflect an improving U.S. economy. For all corporations filing U.S. tax returns, the rate of return on assets rose slightly from 1.85 percent for 1983 to 1.88 percent for 1985. The rate of return on assets of domestic corporations owned by foreign persons improved by a greater margin, from 0.35 percent for 1983 to 0.45 percent for 1985. This reflects an increase in net income (less deficit) of 61 percent and a much smaller increase (24 percent) in total assets.

For 1985, profitable foreign-controlled domestic corporations had \$11.4 billion of "U.S. income subject to tax" (the base on which tax was computed), resulting in tax before credits of \$5.2 billion [15]. The difference between the \$14.5 billion of profits (or net income) and \$11.4 billion of income subject to tax was the result of statutory special deductions. These deductions were allowed to most corporations in computing their taxable income and were for net operating losses from prior years and deductions for both intercorporate dividends received and for dividends paid on certain preferred stock of public utilities.

Tax credits totalling \$1.6 billion reduced the U.S. tax liability of foreign-owned domestic corporations to \$3.6 billion, for 1985. The largest credits were \$778 million of general business credits and \$725 million of foreign tax credits.

**Figure E.—Comparative Rates of Return on Assets, Income Year 1985**

(All figures are estimates based on samples—money amounts are in billions of dollars)

Item	All corporations filing U.S. tax returns	Domestic corporations controlled by a foreign person
Total assets	\$12,773.1	\$655.7
Net income (less deficit)	240.1	3.0
Rate of return	1.88%	0.45%

## FOREIGN CORPORATIONS WITH INCOME EFFECTIVELY CONNECTED WITH A U.S. TRADE OR BUSINESS

This section of the article switches the focus from foreign-controlled domestic companies to foreign corporations with income effectively connected with a U.S. trade or business.

### U.S. Taxation

Foreign corporations are those that are incorporated abroad. Thus, they are not created or organized in the United States, or under the laws of the United States or any of its States. These corporations are, however, subject to U.S. income tax on income effectively connected with the conduct of a U.S. trade or business and on income from U.S. sources that is not "effectively connected." There are two methods of taxation that apply to the income, depending on whether or not it is considered to be effectively connected with a trade or business in the United States [16].

Foreign corporations are taxed on income effectively connected with a U.S. trade or business in a manner similar to that used to tax the income of domestic corporations. To determine their taxable income, gross income that is effectively connected with a U.S. trade or business is reduced by allowable deductions to the extent such deductions are related to this income [17]. The same tax rates, tax methods, and credits used to reduce tax liability are available to both foreign and domestic corporations. See the section entitled "Domestic Corporations Controlled by Foreign Persons: U.S. Taxation" for a discussion of how tax liability is determined.

Fixed or determinable annual or periodic income from U.S. sources, such as interest, dividends, rents, royalties, annuities, and certain gains (such as from the sale or exchange of patents and copyrights) may or may not be effectively connected income [18]. This is determined on the basis of whether the income is from assets used in the conduct of a U.S. trade or business and whether the activities of the U.S. trade or business are a principal factor in producing the income.

A foreign corporation could elect to treat income from U.S. real property as effectively connected income, even if it would not have otherwise been considered to be effectively connected income. This income included gross rents and gains from the sale or exchange of real property. This election permitted the corporation to apply deductions against this gross income as well.

Certain types of foreign-source income were also considered to be U.S. effectively connected income. For instance, interest received by a foreign bank from sources outside the United States was treated as effectively connected with the

conduct of a U.S. trade or business if the bank had an office in the United States to which the income was attributable and the interest was derived from banking activities in the United States.

As mentioned previously, foreign corporations were also taxed on U.S.-source income that was not effectively connected with the conduct of a U.S. trade or business. This included certain amounts of investment income, such as interest, dividends, rents, royalties, annuities, and gains from the sale or exchange of certain property (including patents, copyrights, timber and coal). Gross income in these categories was taxed at a rate of 30 percent unless the rate had been reduced as the result of a tax treaty between the United States and the foreign company's country of incorporation [19].

Basically, then, a foreign corporation's total U.S. tax was the sum of (1) the tax on income effectively connected with the conduct of a U.S. trade or business and (2) the tax on U.S.-source income that was not effectively connected. It could also include (1) tax from recomputing prior-year investment credits, (2) additional tax for tax preferences, and (3) Personal Holding Company tax. Foreign tax, general business, and other credits were used to reduce the corporation's tax liability (just as for domestic corporations).

The transfer of profits from a U.S. branch of a foreign corporation back to its main office in a foreign country was generally not subject to U.S. income tax. However, if the foreign corporation later distributed these profits as dividends and 50 percent or more of its gross income (over a 3-year period) was attributable to effectively connected income from its U.S. branch, then a portion of the distribution could become subject to a U.S. withholding tax of 30 percent. In addition, while interest paid by a U.S. branch of a foreign corporation to foreign creditors could be a tax deduction in calculating effectively connected taxable income, this interest could also be subject to a U.S. withholding tax similar to that described for dividends. These "second-level withholding taxes" could be reduced or eliminated by U.S. income tax treaties with other countries [20].

Only data for the 10,905 and 11,693 foreign corporations which had income effectively connected with a U.S. trade or business in 1984 and 1985, respectively, are included in this article. Foreign corporations with only U.S.-source investment income (i.e., income not effectively connected with a U.S. trade or business) are not covered by this article.

### Growth Since 1983

The activity of foreign corporations in the United States has grown at a rapid pace. Total receipts of these corporations from activities effectively connected with a U.S. trade or business grew from \$20.8 billion for 1983 to \$50.9 billion

for 1985, a 145 percent increase using current dollars. This growth rate was notably higher than the 32 percent increase for domestic corporations controlled by foreign persons, as well as the 18 percent increase for all U.S. corporation income tax returns. (See the section entitled "Domestic Corporations Controlled by Foreign Persons: Growth Since 1983.") It should be noted that total receipts for domestic corporations includes income from both domestic and foreign activities. It also includes investment-type income, such as interest and dividends not directly connected with a business activity. The amount of U.S. source, business-related income of domestic corporations for 1983 through 1985 was not separately reported on the corporation income tax return and, thus, not available for comparison to the U.S. effectively connected income of foreign corporations.

As a result of the growth rate of foreign corporations with U.S. effectively connected income, their share of the receipts reported on all corporate returns increased from 0.29 percent for 1983, to 0.56 and 0.61 percents, for 1984 and 1985, respectively (see Table 1).

### Industry Characteristics

As can be seen in Figure F, the finance, insurance and real estate industrial division accounted for the majority of business activity in the United States by foreign corporations. In fact, for 1985, this division accounted for 80 percent of the returns filed and 75 percent of the total receipts resulting from trade or business effectively connected with the United States.

Foreign banks reported receipts of \$26.6 billion, or 52 percent of the 11,693 foreign corporations' total U.S. effectively connected income. Nearly all (\$23.8 billion) of this income was interest. Only 234 banks, 2 percent of the foreign companies, generated these receipts for 1985.

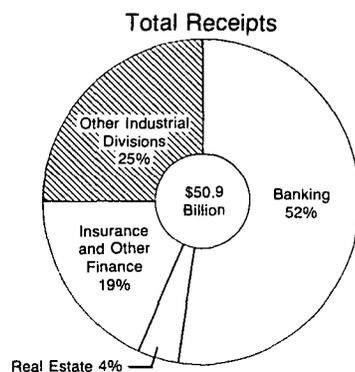
By contrast, the 7,313 foreign corporations involved in real estate (63 percent of the total) generated only \$1.9 billion (or 4 percent) of total receipts. This was an average of just \$265,000 per company. As a group, foreign real estate companies reported a net deficit of \$609 million for 1985. For every company that reported a profit (for tax purposes), nearly three others reported losses (see Figure G).

### Country Characteristics

Nearly three-fourths of the 11,693 foreign corporations which reported income effectively connected with a U.S. trade or business for 1985 were incorporated in the nine countries shown in Figure H. These 8,538 companies also accounted for 88 percent of the effectively connected receipts of all foreign corporations operating a U.S. trade or business.

Figure F

### Foreign Corporations with Income Effectively Connected with a U.S. Business, by Industry, Income Year 1985



The Netherlands Antilles had the largest number of foreign-incorporated U.S. businesses, totalling 5,629, or nearly one-half of the total. However, these corporations

Figure G.—Foreign Real Estate Companies with Income Effectively Connected with a U.S. Business, Income Years 1984 and 1985

(All figures are estimates based on samples—money amounts are in millions of dollars)

Item	1984	1985
Number of returns, total	6,961	7,313
With net income	1,839	2,011
Total receipts	\$1,692	\$1,939
Total deductions	2,412	2,540
Interest paid	941	1,029
Total receipts less total deductions	-720	-601
Net income (less deficit) <sup>1</sup>	-727	-609
Net income	259	467
Deficit	986	1,076

<sup>1</sup> See footnote 13 at the end of this article.

Figure H.—Foreign Corporations with Income Effectively Connected with a U.S. Trade or Business, by Selected Country of Incorporation, Income Year 1985

(All figures are estimates based on samples—money amounts are in millions of dollars)

Country	Number of returns	Total receipts
All countries	11,693	\$50,908
Total selected countries	8,538	44,571
Japan	197	11,931
Canada	1,586	10,683
Netherlands Antilles	5,629	7,724
United Kingdom	398	3,376
West Germany	221	3,353
Switzerland	219	2,787
Italy	21	1,787
France	36	1,476
Netherlands	231	1,244

accounted for only 15 percent of the effectively connected receipts of all foreign corporations. This coincided with the fact that 4,413 of these corporations were principally involved in real estate activities and produced only \$1.3 billion of receipts. As previously noted, foreign corporations involved in U.S. real estate activities tended to report relatively small amounts of receipts, as compared to those engaged in other business activities.

Japanese corporations produced the largest amount (\$11.9 billion) of U.S. effectively connected receipts. The majority of these receipts were produced by banks. In fact, U.S. branches of 24 Japanese banks produced \$11.5 billion of U.S. effectively connected receipts. These receipts accounted for 97 percent of the receipts of the 197 Japanese-incorporated businesses operating in the United States.

Sixteen of these 24 Japanese banks produced \$212 million of income subject to tax as a result of their U.S. effectively connected business activities. (The other 8 banks had deficits and, as a result, no taxable income.) This U.S. taxable income resulted in \$97 million of U.S. taxes, prior to credits. However, this amount was reduced by \$49 million through the use of foreign tax credits. This \$49

million represented over 75 percent of the total foreign tax credits claimed by all foreign corporations with income effectively connected with a U.S. trade or business. The United States allowed a foreign tax credit against income tax for certain taxes paid or accrued to foreign countries. These taxes were based on the corporation's foreign-source taxable income, certain types of which were considered to be U.S. effectively connected income. (See the section entitled "Foreign Corporations with Income Effectively Connected with a U.S. Trade or Business: U.S. Taxation.")

Canadian corporations produced the second largest amount (\$10.9 billion) of U.S. effectively connected receipts. Over 85 percent of these receipts were from companies classified in the finance, insurance and real estate industrial division. Insurance companies, banks, and non-bank holding and other investment companies accounted for most of these receipts, with \$4.3, \$2.6, and \$2.1 billion, respectively.

#### Income Statement and Tax Items

For 1985, 11,693 foreign corporations reported receipts totalling \$50.9 billion from activities effectively connected with a trade or business in the United States. Business receipts amounted to \$20.3 billion, while \$27.2 billion of the total was interest income.

Collectively, foreign corporations claimed \$51.9 billion in deductions for 1985. In conjunction with foreign banks producing large amounts of receipts in the form of interest income, they reported deductions for interest paid totalling \$22.3 billion. This amount was 87 percent of the \$25.7 billion of total interest paid by all of the foreign corporations.

Foreign corporations realized an overall net deficit of \$1.5 billion from their effectively connected activities. This was the result of 3,571 corporations having \$1.8 billion of profits and 8,122 companies that were without profits, totalling \$3.3 billion of deficits. (A small number of these 8,122 companies were actually "breakeven" companies with equal amounts of receipts and deductions.) Thus, only 31 percent of the foreign corporations reported profits for 1985, as compared to 56 percent of all corporations filing U.S. tax returns. The percentages for 1984 were very similar to those for 1985, with only 30 percent of the foreign corporations reporting profits, compared to 56 percent for all corporations.

For 1985, the profitable foreign corporations had \$1 billion of income subject to U.S. tax from their effectively connected activities with a U.S. trade or business. This resulted in a tax of \$412 million before credits. With reference to Form 1120F (the return form used by foreign corporations), this tax is called the "Section II" tax. Tax credits of \$73 million reduced the U.S. tax

liability to \$339 million, with foreign tax credits of \$65 million accounting for most of the credits. The \$339 million of U.S. tax after credits represents less than 1 percent (i.e., 0.67 percent) of the \$50.9 billion of total receipts generated by foreign corporations.

Foreign corporations with effectively connected U.S. trade and business income also incurred \$16 million of income tax on U.S.-source income that was not effectively connected with their U.S. operations (i.e., "Section I" tax), as well as \$5 million of additional tax for tax preferences, and \$2 million of tax from recomputing prior-year investment credits. (While Section I tax is reflected in the tax statistics, the income on which it was based was not tabulated.)

#### SUMMARY

Foreign investment and activity in the United States through corporations continued to grow at a relatively fast rate for 1984 and 1985. While total receipts reported on all U.S. corporation income tax returns increased from 1983 to 1985 by 18 percent (using current dollars), receipts of domestic corporations controlled by foreign persons increased by 32 percent, and those of foreign corporations with U.S. effectively connected income grew by 145 percent.

Foreign-controlled domestic corporations generated approximately 83 percent of their total receipts from two industrial divisions: manufacturing and trade. In contrast, foreign corporations with U.S. effectively connected income were largely involved in finance, insurance and real estate activities. For 1985, this division alone accounted for 75 percent of the total receipts, with only 234 banks actually generating 52 percent of the \$50.9 billion of total receipts for all 11,693 foreign corporations.

Both the 1984 and 1985 Income Years were not very profitable years for either foreign-controlled domestic corporations or foreign corporations with income effectively connected with a U.S. trade or business. For 1985, only 31 percent of the foreign corporations reported profits (as computed under the tax code), and only 43 percent of the domestic corporations with a 50 percent or more foreign owner had profits. By comparison, 56 percent of all corporations filing U.S. tax returns reported profits for 1985. Percentages for 1984 (30, 41, and 56, respectively) were similar to those for 1985.

#### EXPLANATION OF SELECTED TERMS

**Attribution Rules.**—In regard to domestic corporations that are 50 percent or more owned by a foreign "person," these rules provide that an individual shall be considered as owning the stock of a corporation that is owned, directly or indirectly, by or for his or her family. The family of an

individual includes his or her spouse, brothers and sisters, ancestors, and lineal descendants. For more information on these rules, see section 267(c) of the Internal Revenue Code. However, if a corporation is owned by two or more unrelated persons, neither of whom owned 50 percent or more of the corporation, then that corporation was excluded from the statistics even though, together, the persons may have met the 50 percent ownership criterion.

**Foreign Person.**—A foreign person (or entity) is defined as a person other than a U.S. person. A U.S. person includes: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or trust). Section 7701 of the Internal Revenue Code further defines the term U.S. person.

**Net Worth.**—This is the stockholders' equity in the corporation, i.e., total assets less the claims of creditors. More specifically, it is the sum of capital stock plus paid-in or capital surplus plus appropriated and unappropriated retained earnings, less the cost of treasury stock. Table 4 shows this item for domestic corporations controlled by foreign persons.

**Rate of Return on Assets.**—For domestic corporations, this is the amount of before-tax net income (less deficit) calculated for U.S. tax purposes expressed as a percentage of total assets.

#### DATA SOURCES AND LIMITATIONS

##### Sample

The statistics for domestic corporations controlled by a foreign person shown in this article are based primarily on samples of Forms 1120 (U.S. Corporation Income Tax Return). For foreign corporations with income effectively connected with a U.S. trade or business, the statistics are based primarily on samples of Forms 1120F (Return of a Foreign Corporation). In addition to these forms, the statistics include data from Forms 1120L (U.S. Life Insurance Company Income Tax Return). Forms 1120L were filed by both domestic life insurance companies and foreign companies that carried on a life insurance business in the United States. Thus, data for both foreign-controlled domestic corporations and foreign corporations with income effectively connected with a U.S. trade or business could include information from Forms 1120L.

Form 1120 samples were stratified based on the size of total assets and net income (or deficit) and the business activity. For 1985, the Form 1120 achieved sampling rates ranged from 0.36 percent to 100 percent. Forms 1120F were stratified based on the size of total assets and the business activity, even though balance sheet information

was not actually tabulated from Forms 1120F. The sampling rates achieved for these forms ranged from 23.63 percent to 100 percent. Forms 1120L were stratified based solely on the size of total assets. The sample rates achieved for these forms ranged from 48.12 percent to 100 percent.

Because the data presented in this article are estimates based on samples, they are subject to sampling error. To properly use the data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. For a general discussion of CV's, see the Appendix to this publication. For a more detailed discussion of CV's for 1984 and 1985, see *Statistics of Income—Corporation Income Tax Returns*, for 1984 and 1985.

##### Nonsampling Limitations

Most of the data in this article relate to years 1984 and 1985 [21]. However, for each income year, the estimates cover returns with accounting periods that ended in a 12 month span beginning in July and ending in June. Thus, for Income Year 1984, the span was between July 1984 and June 1985. Similarly, for Income Year 1985, the span was from July 1985 through June 1986.

As a result of the 12 month span for ending accounting periods, the statistics for each year shown in this article include income received or expenses incurred during a 23 month span. For Income Year 1984, that span was from August 1983 through June 1985. Similarly, for Income Year 1985, the span was from August 1984 through June 1986.

Each return used for the studies described in this article had an industry code during statistical processing. This code was used as a classifier of the returns, as shown in Tables 4 and 5 of this article. (Tables 2 and 3 are classified by geographical area.) The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. In general, foreign corporations could not be members of such affiliated groups. To the extent that some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

The income statement data for foreign corporations shown in this article are only for those corporations which had income effectively connected with a U.S. trade or business. U.S.-source investment income (including interest, dividends, rents, royalties, annuities, and other fixed or

determinable annual or periodic income) that was not effectively connected with the conduct of a U.S. trade or business is excluded from the data. The tax liability on this U.S. source investment income is, however, included in amounts of "Total U.S. Income Tax," shown in Tables 1, 3, and 5 of this article.

#### FOOTNOTES

- [1] For purposes of this article, "control" is defined as ownership by any foreign person (i.e., an individual, partnership, corporation, estate or trust), directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock at the end of the tax year. For rules of attribution, see the "Explanation of Selected Terms" section of this article and section 267(c) of the Internal Revenue Code.
- [2] Portfolio investment is different from direct investment in that there is no control of the management of the enterprise, except to the extent, for example, of rights to vote periodically in stockholder meetings of corporations. Rather, the portfolio investor has a minimal interest in a company, and is primarily seeking dividend payments or an increase in the value of the shares of stock.
- [3] For additional information on these subjects, see, for example, Zagaris, Bruce, *Foreign Investment in the United States*, Praeger Publishers, 1980; Guillem, Christine and Kirk, Richard, *Direct Investment Techniques for the USA*, Kleuver Law and Taxation Publishers, 1983; and *Doing Business in the United States*, Price Waterhouse, 1985. The Bureau of Economic Analysis of the U.S. Department of Commerce publishes data on foreign direct investment in the United States. See, for example, Herr, Ellen M., "U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1987," and Howenstine, Ned G., "U.S. Affiliates of Foreign Companies: Operations in 1986," *Survey of Current Business*, Volume 68, Number 5, May 1988.
- [4] Sections 7701(a)(4) and (5) of the Internal Revenue Code defined a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation was one which was not domestic.
- [5] Information on ownership levels was asked by questions on the corporation income tax return which requested the owner's name, country and percentage of voting stock owned when any foreign individual, partnership, corporation, estate or trust owned, directly or indirectly, 50 percent or more of the corporation's voting stock at the end of the tax year.
- [6] Domestic International Sales Corporations (through 1984) and Interest Charge Domestic International Sales Corporations (beginning in 1985) were not subject to U.S. taxation. Instead, the stockholders of these companies were subject to taxation when profits from these companies were distributed or deemed to be distributed to them. In addition, "S" Corporations were generally not taxed on their income, but rather passed the income on to their stockholders for taxation purposes. Finally, regulated investment companies and real estate investment trusts were only taxed on income that was not distributed to their stockholders.
- [7] For a more complete discussion of taxable income, see *Statistics of Income—1985, Corporation Income Tax Returns*.
- [8] For the most recent detailed information on corporate foreign tax credits, see Carson, Chris R., "Corporate Foreign Tax Credit, 1982: A Geographic Focus," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2.
- [9] For detailed information on U.S.-source dividends (and other types of income, such as interest) paid to foreign persons, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, and Tax Withheld, 1985," *Statistics of Income Bulletin*, Fall 1987, Volume 7, Number 2.
- [10] The source of the GNP Implicit Price Deflator is the *Survey of Current Business*, Bureau of Economic Analysis, U.S. Department of Commerce.
- [11] Manufacturing companies had larger amounts of assets and receipts than did all other companies based on data reported on all U.S. corporation income tax returns. For this group for 1985, the average manufacturer had \$9.6 million of assets and \$10.2 million of receipts. The average for nonmanufacturing companies was \$3.4 million and \$1.9 million of total assets and receipts, respectively.
- [12] Bank holding companies are included in the banking industry, as opposed to the "holding and other investment companies" industry.
- [13] For statistical purposes, taxable net income (less deficit) is the difference between "modified" total receipts and total deductions. The \$514 billion of total receipts for 1985 is modified as follows: (1) tax-exempt interest from State and local Government obligations is subtracted and (2) "constructive" receipts are added. Constructive receipts are the sum of the following types of taxable income from related foreign corporations: (1) includable income from Controlled Foreign

**Table 1.—Foreign Investment and Activity Through Corporations as a Percentage of All Corporations: Selected Items <sup>1</sup>**  
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Year and item	All corporation income tax returns	Returns of domestic corporations controlled by foreign persons		Returns of foreign corporations with U.S. effectively connected income	
		Number or amount	Percentage of all returns	Number or amount	Percentage of all returns
	(1)	(2)	(3)	(4)	(5)
<b>1983</b>					
Number of returns.....	2,999,071	33,622	1.12	5,081	0.27
Total assets.....	10,201,084,144	530,334,499	5.20	8,001	0.22
Total receipts.....	7,135,494,059	389,908,798	5.46	20,793,723	0.29
Business receipts.....	6,534,932,711	359,793,137	5.56	5,477,256	0.09
Total deductions.....	6,945,457,358	387,981,124	5.58	21,862,107	0.32
Cost of sales and operations.....	4,308,238,989	271,372,629	6.30	3,723,239	0.09
Net income (less deficit).....	188,313,928	1,848,521	0.96	-1,117,898	N/A
Net income.....	296,932,146	12,447,588	4.19	693,369	0.23
Deficit.....	108,618,218	10,599,067	9.76	1,811,268	1.67
U.S. income subject to tax.....	218,698,396	10,706,827	4.90	468,995	0.21
Total U.S. income tax—					
Before credits.....	92,218,567 <sup>2</sup>	4,848,504	5.26	182,806 <sup>3</sup>	0.20
After foreign tax credit.....	72,267,402 <sup>2</sup>	4,177,943	5.78	157,572 <sup>3</sup>	0.22
After all credits.....	51,479,057 <sup>2</sup>	3,418,554	6.64	152,443 <sup>3</sup>	0.30
Distributions to stockholders except in own stock.....	126,299,545	4,326,837	3.37	409,044	0.32
<b>1984</b>					
Number of returns.....	3,170,743	37,401	1.18	10,995	0.34
Total assets.....	11,106,701,948	552,597,884	4.98	8,001	0.22
Total receipts.....	7,800,711,226	459,161,616	5.89	43,655,886	0.56
Business receipts.....	6,949,481,853	423,532,229	6.10	15,445,905	0.22
Total deductions.....	7,628,772,066	454,641,699	5.96	45,003,619	0.59
Cost of sales and operations.....	4,682,505,746	320,856,731	6.84	12,552,248	0.27
Net income (less deficit).....	232,900,596	4,528,142	1.94	-1,513,345	N/A
Net income.....	349,179,415	15,355,593	4.40	1,342,116	0.38
Deficit.....	116,278,819	10,827,451	9.31	2,855,460	2.46
U.S. income subject to tax.....	257,054,080	13,410,975	5.22	902,277	0.35
Total U.S. income tax—					
Before credits.....	107,958,407 <sup>2</sup>	6,049,943	5.60	393,179 <sup>3</sup>	0.36
After foreign tax credit.....	86,893,111 <sup>2</sup>	5,261,889	6.06	334,137 <sup>3</sup>	0.38
After all credits.....	63,990,210 <sup>2</sup>	4,487,752	7.01	317,143 <sup>3</sup>	0.50
Distributions to stockholders except in own stock.....	144,671,643	3,322,147	2.29	127,667	0.09
<b>1985</b>					
Number of returns.....	3,277,219	36,677	1.12	11,693	0.36
Total assets.....	12,773,093,888	655,695,711	5.13	8,001	0.22
Total receipts.....	8,398,278,426	513,777,962	6.12	50,908,814	0.61
Business receipts.....	7,365,536,553	473,892,926	6.43	20,274,675	0.28
Total deductions.....	9,158,144,126	510,854,654	5.26	51,929,117	0.64
Cost of sales and operations.....	4,894,254,061	357,619,673	7.30	16,032,230	0.31
Net income (less deficit).....	240,119,020	2,978,286	1.24	-1,486,694	N/A
Net income.....	363,867,384	14,500,125	3.99	1,783,685	0.49
Deficit.....	123,748,365	11,521,838	9.31	3,270,369	2.64
U.S. income subject to tax.....	268,050,609	11,428,043	4.30	1,024,816	0.39
Total U.S. income tax—					
Before credits.....	111,340,839 <sup>2</sup>	5,152,493	4.63	435,079 <sup>3</sup>	0.39
After foreign tax credit.....	87,077,352 <sup>2</sup>	4,427,599	5.08	389,823 <sup>3</sup>	0.42
After all credits.....	63,348,204 <sup>2</sup>	3,576,147	5.65	361,927 <sup>3</sup>	0.57
Distributions to stockholders except in own stock.....	167,677,294	3,529,185	2.10	42,957	0.03

<sup>1</sup> Includes domestic corporations controlled by foreign persons and foreign corporations with U.S. effectively connected income. For the foreign corporations, income statement items shown in this table pertain only to income effectively connected with a U.S. trade or business.

<sup>2</sup> Balance sheets of foreign corporations with U.S. effectively connected income are generally not included in the statistics. However, balance sheets for U.S. branches of foreign insurance companies are included in the statistics for all corporation income tax returns.

<sup>3</sup> For foreign corporations, includes tax both on U.S.-source income effectively connected and not effectively connected with a U.S. trade or business.

NA—Not applicable.

Corporations and (2) foreign dividend income resulting from foreign taxes deemed paid.

[14] The 20,795 companies reporting a deficit include a small number of "breakeven" companies, i.e., those whose receipts and deductions were equal.

[15] The \$5.2 billion of total income tax before credits includes \$62 million from additional tax for tax preferences and tax from recomputing prior-year investment credits.

[16] Section 864(c) of the Internal Revenue Code and the related Internal Revenue Regulations describe tests to be used in determining whether income is effectively connected with a U.S. trade or business.

[17] Charitable contributions were deductible, subject to a limitation, whether or not they were related to effectively connected income.

[18] While capital gains that were considered to be "effectively connected" with a U.S. trade or business were taxable income, other U.S.-source capital gains were exempt from the U.S. income tax.

[19] For a list of tax treaties, see U.S. Department of the Treasury, Internal Revenue Service, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, Publication 515.

[20] The Tax Reform Act of 1986 replaced the "second-level withholding taxes" with "branch level profits and interest taxes," subject to modification or elimination by tax treaties. For tax years beginning after 1986, the U.S. branch of a foreign corporation could be subject to a 30-percent tax on amounts of its "dividend equivalent" and on certain "excess interest" deductions used in calculating effectively connected taxable income. Dividend equivalent is the branch's effectively connected earnings and profits for the year, reduced (or increased) by the amount of increase (or decrease) in the branch's U.S. net equity position during the tax year. Section 884 of the Internal Revenue Code specifies the branch level profits and interest taxes.

[21] Tables 1 through 5 include data for 1983, as well as for 1984 and 1985. For more information on 1983, see Hobbs, James R., "Foreign Investment and Activity in the United States Through Corporations, 1983," *Statistics of Income Bulletin*, Summer 1987, Volume 7, Number 1.

**Table 2.—Domestic Corporations Controlled by a Foreign Person: Selected Items, by Geographic Area**  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Year and geographic area <sup>1</sup>	Number of returns	Total assets	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax	
							Before credits	After credits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
<b>1983</b>								
<b>All geographic areas, total</b>	<b>33,622</b>	<b>530,334,499</b>	<b>389,008,798</b>	<b>1,848,512</b>	<b>12,447,588</b>	<b>10,706,827</b>	<b>4,848,504</b>	<b>3,418,554</b>
Canada	6,860	46,602,258	29,429,238	-974,763	888,896	547,092	231,231	151,323
Latin America, total	5,174	26,180,372	23,109,341	-892,132	261,917	159,507	70,649	39,955
Mexico	453	1,225,831	972,125	-48,046	19,458	10,622	3,754	2,407
Caribbean, total	2,484	17,343,802	17,006,508	-614,339	157,989	99,904	47,891	20,729
Netherlands Antilles	1,320	15,584,182	16,051,776	-542,301	143,725	92,350	47,269	17,679
South America	1,164	1,715,620	1,004,732	-67,038	13,264	3,550	1,522	303
Central America, total	848	5,893,709	4,652,698	-284,374	63,952	45,281	17,501	8,000
Panama	665	5,796,902	4,493,356	-300,886	44,438	27,186	12,795	11,849
Other Western Hemisphere, total	285	3,484,243	6,451,417	-303,626	41,182	15,326	4,710	4,596
Bermuda	153	2,840,303	2,525,502	-195,655	211,455	4,041	3,974	3,974
Europe, total	12,132	334,536,883	217,765,477	3,609,071	8,858,719	7,846,124	3,588,632	2,443,862
Common Market countries, total	9,059	312,093,344	197,895,187	3,688,825	8,170,208	7,280,009	3,335,938	2,258,304
Belgium	1,248	7,869,964	10,789,260	1,045,200	1,122,236	1,106,172	507,381	27,248
France	2,042	23,921,820	15,689,526	-198,671	369,659	120,862	74,833	37,863
Netherlands	1,548	77,475,240	59,690,165	782,544	2,171,128	1,999,983	928,263	744,485
United Kingdom	1,275	171,840,588	65,743,040	1,957,890	3,315,151	3,005,444	1,087,280	680,507
West Germany	2,217	24,393,796	32,087,479	235,502	1,115,889	849,171	380,507	329,196
Sweden	612	4,220,814	4,032,867	-89,256	118,718	113,857	50,790	20,000
Switzerland	1,423	13,118,569	12,835,306	128,084	513,353	426,399	192,306	130,650
Africa	202	627,288	290,296	-32,889	6,018	1,908	459	419
Asia, total	6,079	90,919,064	98,772,809	972,242	1,933,343	1,757,242	791,596	716,250
Hong Kong	933	24,147,261	31,113,982	733,284	1,383,232	1,224,554	587,713	448,442
Japan	2,282	45,212,866	87,543,400	1,072,011	1,750,835	1,598,850	723,922	672,015
South Korea	21	1,620,635	1,695,407	-22,573	10,057	4,695	1,979	1,680
Oceania	394	3,906,315	795,888	-2,320	29,693	9,763	3,481	3,035
Puerto Rico and U.S. Possessions	728	2,180,829	1,854,628	209,328	211,710	205,477	94,122	9,217
Country not stated	2,297	22,517,246	11,523,705	-363,477	231,109	164,489	63,235	49,690
<b>1984</b>								
<b>All geographic areas, total</b>	<b>37,401</b>	<b>552,597,884</b>	<b>459,161,616</b>	<b>4,828,142</b>	<b>15,355,593</b>	<b>13,410,875</b>	<b>6,049,843</b>	<b>4,487,752</b>
Canada	6,389	45,368,983	31,633,581	-701,931	915,513	606,425	268,199	-209,181
Latin America, total	5,568	32,129,945	26,991,328	-778,796	451,584	342,147	148,442	86,713
Mexico	861	1,012,813	1,859,853	-450,752	24,681	15,674	5,796	3,024
Caribbean, total	2,354	23,116,130	19,019,759	-450,752	324,846	249,389	112,942	36,042
Netherlands Antilles	1,300	21,377,908	17,846,710	-384,690	300,569	230,102	104,975	29,441
South America	1,051	1,715,439	1,332,048	-17,654	17,654	9,387	3,927	3,927
Central America, total	837	6,225,565	4,976,487	-272,715	60,529	20,454	23,418	20,454
Panama	636	5,688,187	4,753,989	-279,426	59,691	50,562	20,792	18,214
Other Western Hemisphere, total	477	3,248,843	5,063,108	-259,110	17,999	8,873	3,385	2,637
Bermuda	278	2,778,113	2,480,356	-189,757	4,800,313	1,812	1,812	1,812
Europe, total	13,487	358,657,271	256,283,592	4,687,196	10,043,108	9,037,494	4,097,317	2,959,567
Common Market countries, total	9,438	328,673,207	221,289,177	4,420,200	8,783,026	6,019,368	3,639,253	2,580,690
Belgium	287	8,637,335	8,099,100	1,035,300	1,103,509	1,092,871	496,619	38,793
France	2,212	22,745,119	15,256,153	-18,456	152,668	105,628	58,743	29
Netherlands	1,501	96,168,754	71,623,945	796,123	2,224,894	2,026,190	912,880	753,038
United Kingdom	2,680	165,927,798	76,884,056	1,853,079	3,350,336	3,161,220	1,442,102	1,147,539
West Germany	1,842	27,536,111	36,442,085	748,216	1,431,746	1,179,722	537,089	423,054
Sweden	1,141	7,761,200	12,531,765	345,432	301,840	148,222	122,986	122,986
Switzerland	1,552	16,338,922	17,931,565	374,180	819,486	625,765	281,213	233,435
Africa	197	1,049,981	404,981	-33,737	6,954	5,311	2,320	2,052
Asia, total	7,199	89,242,279	122,071,832	1,089,092	3,042,045	2,776,408	1,262,577	1,173,356
Hong Kong	1,262	14,765,643	1,919,983	-53,039	35,267	34,770	13,535	11,992
Japan	2,389	65,554,130	112,607,206	1,815,477	2,920,631	2,681,977	1,224,963	1,143,570
South Korea	44	1,655,364	2,526,563	-26,362	2,496	1,668	630	542
Oceania	347	8,436,905	3,631,711	10,256	154,483	142,173	68,309	7,850
Puerto Rico and U.S. Possessions	714	11,116,505	9,864,845	197,177	107,481	107,303	49,363	49,605
Country not stated	3,728	13,346,192	12,216,637	415,956	616,426	383,942	159,831	60,342
<b>1985</b>								
<b>All geographic areas, total</b>	<b>36,677</b>	<b>655,695,711</b>	<b>513,777,982</b>	<b>2,978,286</b>	<b>14,500,125</b>	<b>11,428,043</b>	<b>5,152,493</b>	<b>3,576,147</b>
Canada	6,151	67,531,601	40,458,451	-197,296	1,271,083	634,263	281,377	200,553
Latin America, total	5,208	33,006,850	29,970,129	-645,857	530,201	336,895	152,913	77,353
Mexico	1,532	1,088,502	1,611,523	-24,878	15,147	7,943	1,581	1,208
Caribbean, total	1,670	20,715,455	21,212,137	-611,938	415,676	125,083	53,030	5,000
Netherlands Antilles	733	22,698,123	20,767,891	-535,965	411,261	262,524	124,887	52,841
South America	1,184	1,977,180	1,889,622	-11,924	31,414	24,324	3,205	709
Central America, total	882	6,227,813	5,257,047	-197,017	97,964	41,726	18,046	16,639
Panama	821	6,129,333	5,145,672	-198,998	84,400	38,176	17,069	15,285
Other Western Hemisphere, total	522	7,915,728	6,405,301	-291,311	21,632	12,996	4,188	3,960
Bermuda	358	7,029,912	5,990,328	-749,992	10,718	4,650	2,032	1,796
Europe, total	13,513	400,800,621	276,476,480	3,449,214	9,324,218	7,417,383	3,355,662	2,087,006
Common Market countries, total	10,371	360,558,201	235,827,575	3,114,976	8,113,809	6,473,701	2,930,658	1,778,015
Belgium	658	8,290,619	7,095,342	958,497	1,034,535	1,023,325	488,252	32,249
France	1,683	27,610,365	25,673,312	-126,433	505,017	384,654	172,145	127,145
Netherlands	1,747	104,147,817	70,471,893	138,331	1,573,586	973,518	440,248	200,503
United Kingdom	2,841	174,635,073	83,340,020	1,887,698	3,387,943	2,712,172	1,231,000	904,405
West Germany	2,214	55,046,899	42,945,267	539,697	1,424,595	1,260,191	587,737	448,478
Sweden	860	8,659,894	9,893,785	237,540	383,682	297,893	131,671	75,770
Switzerland	1,423	23,328,906	24,169,417	192,447	672,383	554,725	249,681	199,942
Africa	126	1,233,918	522,889	-2,403	32,291	18,300	6,513	4,441
Asia, total	7,197	108,393,924	144,408,678	956,474	2,984,969	2,696,802	1,220,606	1,103,533
Hong Kong	1,854	19,891,411	27,000,006	11,755	60,089	55,002	3,204	3,739
Japan	2,560	81,084,768	133,498,744	1,327,992	2,759,120	2,636,389	1,198,936	1,117,328
South Korea	44	1,755,088	2,493,631	-59,764	1,909	4,566	701	16,559
Oceania	376	19,492,331	6,824,211	-51,974	198,274	105,739	47,611	42,509
Puerto Rico and U.S. Possessions	714	11,116,505	9,864,845	197,177	107,481	107,303	49,363	49,605
Country not stated	3,474	16,811,165	8,569,897	-49,078	226,423	196,583	76,787	47,594

**Table 3.—Foreign Corporations with Income Effectively Connected with a U.S. Business: Selected Income and Tax Items, by Geographic Area**  
 (All figures are estimates based on samples—money amounts are in thousands of dollars)

Year and geographic area <sup>1</sup>	Number of returns	Total receipts	Total deductions	Net income (less deficit)	Net income	U.S. income subject to tax	U.S. income tax		U.S. total income tax after credits
							Total <sup>2</sup>	Section II tax	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
<b>1983</b>									
<b>All geographic areas, total</b>	<b>8,001</b>	<b>20,783,723</b>	<b>21,882,107</b>	<b>-1,117,898</b>	<b>693,389</b>	<b>468,995</b>	<b>182,806</b>	<b>166,477</b>	<b>152,443</b>
Canada	1,131	3,652,329	3,943,990	-293,352	74,552	45,589	25,177	16,681	24,073
Latin America, total	5,275	3,265,725	3,705,688	-443,756	336,706	254,977	62,172	78,732	78,243
Mexico	56	172,602	179,171	-6,686	2,984	356	84	84	84
Central America	741	252,120	294,769	-43,803	17,512	13,580	3,681	3,615	3,652
Caribbean, total	4,124	2,493,314	2,725,192	-238,208	314,729	240,976	70,384	75,021	74,493
Netherlands Antilles	69	401,688	505,936	-104,339	1,471	85	13	13	13
Other Western Hemisphere	119	213,217	218,409	-5,348	18,945	13,129	4,516	4,401	4,380
Europe, total	803	7,226,690	7,391,553	-184,726					

Table 4.—Domestic Corporations Controlled by a Foreign Person: Selected Balance Sheet, Income Statement and Tax Items, by Industrial Division

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Year and item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>1983</b>									
Number of returns, total	33,622	1,149	1,182	352	3,260	862	12,343	6,333	4,463
With net income	13,648	385	310	135	1,873	592	4,993	2,827	2,533
Total assets	530,334,499	1,826,447	22,047,601	2,172,726	219,225,274	20,085,931	66,127,339	191,094,419	7,891,712
Net worth	138,380,457	470,012	9,687,184	456,684	71,327,454	7,596,412	18,062,721	29,208,014	1,557,305
Total receipts	388,909,798	732,291	8,449,595	3,014,927	157,738,858	11,855,553	164,917,873	35,391,398	7,790,909
Business receipts	359,793,137	662,152	7,865,838	2,809,993	149,108,180	11,434,256	161,780,536	19,073,624	7,242,101
Total deductions	397,372,629	876,744	9,541,374	3,190,377	154,933,660	11,955,300	164,347,347	36,588,347	7,971,575
Cost of sales and operations	271,372,629	414,635	4,651,384	2,529,726	99,952,238	7,217,796	141,908,332	11,715,650	3,967,477
Total receipts less total deductions	1,927,675	-144,452	-1,144,426	-115,420	3,705,062	-100,506	876,058	-986,763	-186,665
Net income (less deficit)	1,848,521	-144,452	-1,079,433	-113,023	3,802,606	-100,506	888,419	-1,224,816	-178,910
Net income	12,447,588	15,701	306,410	43,278	7,350,321	409,445	2,875,288	1,196,623	250,541
U.S. income subject to tax	10,706,827	12,195	186,655	33,205	6,713,801	388,643	2,514,770	701,451	156,108
Total U.S. income tax	4,848,504	4,661	94,868	14,567	3,082,203	174,684	1,133,952	297,892	55,678
Foreign tax credit	670,561	54,838	2,107	54,696	262	22,241	41,173	3,244	3,244
Other credits <sup>2</sup>	759,389	1,450	5,253	4,092	9,020,287	89,809	101,260	27,850	9,388
Distributions to stockholders except in own stock	4,326,837	6,690	340,642	5,199	2,560,755	530,889	272,298	570,694	39,670
<b>1984</b>									
Number of returns, total	37,401	1,135	1,248	860	3,392	588	14,190	8,556	6,038
With net income	15,306	360	222	654	1,941	328	9,874	3,201	2,720
Total assets	552,597,884	1,453,269	29,079,013	2,516,860	218,192,377	11,064,996	80,214,577	198,908,108	13,103,545
Net worth	154,928,539	306,584	13,314,350	507,448	82,540,606	3,805,541	20,997,962	30,849,813	2,796,054
Total receipts	459,161,616	728,634	11,426,911	5,204,036	178,076,536	9,115,440	201,958,318	40,544,227	11,968,534
Business receipts	423,602,229	646,001	10,599,809	5,051,050	167,548,099	8,445,142	197,946,312	22,164,501	11,062,611
Total deductions	454,641,699	627,450	12,677,714	5,223,416	172,871,281	9,020,220	199,563,031	42,029,957	12,287,378
Cost of sales and operations	320,856,731	419,276	6,918,687	4,331,677	110,375,497	5,506,860	171,651,316	15,430,484	6,087,012
Total receipts less total deductions	4,519,917	-100,816	-1,250,802	-19,380	5,205,255	95,220	2,395,288	-1,485,730	-318,844
Net income (less deficit)	4,529,142	-100,816	-1,186,103	-17,357	5,296,604	95,175	2,431,063	-1,675,421	-314,729
Net income	15,355,593	39,892	564,615	36,377	8,185,582	311,784	4,531,476	1,270,412	355,783
U.S. income subject to tax	13,410,975	5,358	481,545	66,240	7,542,966	299,989	4,073,274	719,814	221,791
Total U.S. income tax	6,049,943	2,276	125,385	24,655	3,431,363	134,440	1,845,723	301,660	84,440
Foreign tax credit	788,054	—	132,834	377	559,079	350	51,190	43,468	766
Other credits <sup>2</sup>	774,137	85	26,552	1,812	506,825	59,686	112,482	53,711	10,985
Distributions to stockholders except in own stock	3,322,147	—	143,940	2,812	1,829,312	203,689	507,582	582,633	52,179
<b>1985</b>									
Number of returns, total	36,877	984	1,015	1,060	4,011	484	13,580	11,149	4,066
With net income	15,882	378	136	729	1,971	254	6,146	3,848	2,420
Total assets	655,695,711	1,529,029	35,815,201	3,826,135	255,237,928	10,256,185	88,191,806	244,294,656	16,429,830
Net worth	178,092,635	388,368	18,005,764	590,323	93,026,306	3,608,870	22,035,571	38,626,281	3,800,961
Total receipts	513,777,962	914,939	13,442,356	5,236,279	202,466,147	10,310,044	227,402,547	41,304,815	12,886,424
Business receipts	473,892,926	846,151	12,265,454	4,909,201	191,084,504	9,574,611	222,926,139	21,000,275	11,276,376
Total deductions	510,954,654	997,436	14,731,593	5,255,393	199,705,916	10,211,032	225,351,607	41,986,577	13,006,309
Cost of sales and operations	357,519,673	623,699	8,435,910	4,312,400	127,010,586	6,513,273	192,793,740	11,678,130	6,147,448
Total receipts less total deductions	2,823,308	-82,496	-1,289,238	-99,114	2,760,332	89,012	2,370,880	-681,761	-319,884
Net income (less deficit)	2,978,286	-78,329	-1,238,326	-21,509	2,931,428	101,973	2,393,885	-790,597	-317,418
Net income	14,500,125	49,981	398,769	169,069	6,633,137	421,207	4,499,963	1,911,907	416,052
U.S. income subject to tax	11,428,043	24,791	234,693	78,979	5,401,714	391,333	3,964,105	1,037,017	295,415
Total U.S. income tax	5,125,493	10,210	114,946	30,758	2,466,796	178,452	1,785,942	442,409	122,881
Foreign tax credit	724,894	5,929	50,816	9,144	548,194	3,959	22,919	79,002	4,964
Other credits <sup>2</sup>	851,452	1,675	4,678	5,559	564,756	31,565	158,415	59,375	25,430
Distributions to stockholders except in own stock	3,529,185	243	104,145	11,283	2,170,511	95,636	351,413	700,526	95,428

<sup>1</sup> Includes "Nature of business not allocable" which is not shown separately.<sup>2</sup> Includes U.S. possessions tax, investment, jobs, nonconventional source fuel, alcohol fuel, research activities, and employee stock ownership credits.<sup>3</sup> Includes U.S. possessions tax, nonconventional source fuel, research activities, and general business credits.

NOTE: Detail may not add to totals because of rounding.

Table 5.—Foreign Corporations with Income Effectively Connected with a U.S. Business: Selected Income and Tax Items, by Industrial Division

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Year and item	All industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>1983</b>									
Number of returns, total	6,801	237	372	62	118	109	268	6,320	466
With net income	2,272	56	134	6	33	25	121	1,755	133
Total receipts	20,793,783	67,418	241,775	349,754	903,790	804,918	1,305,306	18,719,636	397,307
Business receipts	5,477,256	60,870	196,585	336,048	656,987	515,939	856,307	12,529,393	252,768
Interest <sup>1</sup>	13,566,811	1,012	2,120	4,597	1,980	3,122	20,137	13,531,423	2,632
Total deductions	21,882,107	91,972	314,755	363,545	947,308	1,095,392	1,351,183	17,276,053	438,278
Cost of sales and operations	3,723,239	26,138	65,429	326,950	735,779	515,884	1,066,394	9,186,880	69,783
Interest paid	13,450,582	19,010	24,485	10,688	30,408	44,081	43,138	13,246,255	41,155
Total receipts less total deductions	-1,089,383	-24,554	-72,981	-13,791	-43,518	-290,474	-45,876	-556,417	-41,971
Net income (less deficit)	-1,117,898	-24,617	-73,007	-13,791	-43,518	-290,474	-46,329	-584,186	-43,180
Net income	693,369	5,298	34,834	13,372	3,970	6,495	26,361	574,405	17,330
U.S. income subject to tax	468,995	1,222	28,262	13,100	4,430	20,427	383,713	383,713	9,986
Total U.S. income tax <sup>3</sup>	182,806	325	14,714	5,989	1,735	7,764	8,523	138,720	3,513
Foreign tax credit	25,234	—	—	—	—	—	—	25,231	3
Other credits <sup>2</sup>	5,129	6	1,111	1	984	42	234	972	1,780
Distributions to stockholders except in own stock	409,044	—	297,135	—	8,407	—	590	102,851	51
<b>1984</b>									
Number of returns, total	10,905	284	640	60	180	96	391	8,609	519
With net income	3,247	70	261	9	61	30	158	2,394	211
Total receipts	43,655,886	101,182	245,444	81,340	6,969,505	434,338	4,919,870	30,419,312	440,547
Business receipts	15,445,905	74,350	196,093	74,695	6,919,886	427,176	4,861,275	25,336,353	315,976
Interest <sup>1</sup>	25,938,814	5,162	4,972	1,253	6,057	5,118	20,972	25,890,046	4,880
Total deductions	45,003,619	138,400	361,704	104,072	6,672,472	520,269	4,921,539	31,714,630	499,151
Cost of sales and operations	12,552,248	48,650	108,856	84,226	5,825,392	419,824	4,234,797	14,344,818	134,348
Interest paid	24,790,699	31,866	31,426	3,810	63,133	9,331	47,398	24,534,015	45,828
Total receipts less total deductions	-1,347,733	-37,210	-130,260	-22,732	297,033	-85,931	-1,669	-1,295,518	-58,605
Net income (less deficit)	-1,513,345	-37,270	-137,669	-22,732	297,033	-85,931	-1,666	-1,457,087	-59,251
Net income	1,342,116	11,102	21,728	2,985	402,657	6,880	83,171	794,260	17,789
U.S. income subject to tax	902,277	8,065	4,081	280	387,203	6,353	67,562	415,110	12,952
Total U.S. income tax <sup>3</sup>	399,179	2,329	2,078	57	177,688	6,117	29,746	170,209	4,764
Foreign tax credit	59,042	—	—	—	—	—	—	59,039	2
Other credits <sup>2</sup>	16,994	141	—	—	14,005	154	336	2,008	278
Distributions to stockholders except in own stock	127,667	74	4,750	—	22,790	—	23,316	75,911	720
<b>1985</b>									
Number of returns, total	11,693	311	587	80	201	126	452	9,334	489
With net income	3,571	91	203	32	50	40	176	2,778	159
Total receipts	50,908,814	85,047	297,577	126,272	1,915,837	1,288,164	6,439,904	37,999,920	506,974
Business receipts	20,274,675	72,207	352,839	110,467					

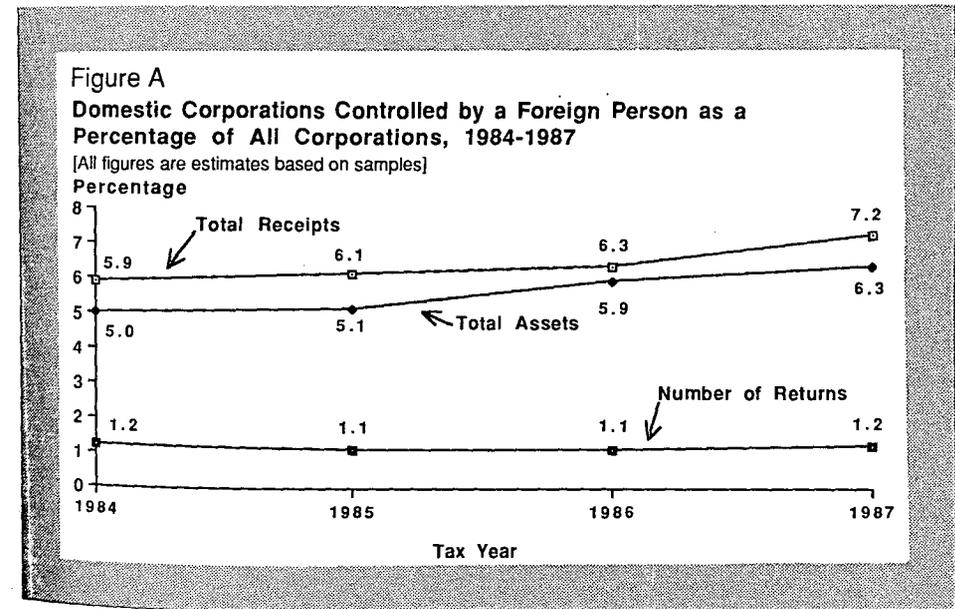
# Domestic Corporations Controlled by Foreign Persons, 1987

By James R. Hobbs\*

For 1987, the 45,000 domestic corporations each "controlled" by a foreign "person" generated \$687 billion of worldwide receipts and reported total assets amounting to \$959 billion [1]. These corporations, 1 percent of the U.S. total, accounted for over 7 and 6 percent of the receipts and assets, respectively, reported on U.S. corporation income tax returns. Figure A shows that foreign-controlled domestic corporations accounted for an increasingly higher percentage of the receipts and assets of all corporations during the 1984-1987 period.

The net income (less deficit) for foreign-controlled domestic corporations was \$5.6 billion for 1987, the highest amount reported for recent years and in sharp contrast to the net negative amount of \$1.5 billion reported for 1986, which was the lowest amount reported for the same years. Most of this increased profit occurred in the manufacturing sector.

Domestic corporations controlled by persons from Japan had total receipts of \$185 billion for 1987,



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a 33 percent increase over the 1986 amount. The amount for Japan was far larger than the receipts representing any other country. The receipts for U.S. companies controlled by persons in the United Kingdom remained in second place with \$103 billion, followed by the Netherlands (\$77 billion), West Germany (\$63 billion), and Canada (\$52 billion).

### DIRECT FOREIGN INVESTMENT IN THE UNITED STATES

Direct foreign investment in the United States can take several forms, including corporations, partnerships, and joint ventures. Under these forms of direct investment, the foreign investor has sufficient equity in the enterprise so as to control and participate in managing its operations [2].

A foreign direct investor can either gain control of an existing U.S. corporation, or create a new company incorporated in the United States. Another method of operating in the United States is through a branch of a foreign corporation. This article focuses on domestic corporations (i.e., companies incorporated in the United States) that are controlled (i.e., majority owned) by a foreign person [3]. (See the "Explanation of Selected Terms" section of this article for a description of foreign persons.) A separate article will be published in a future issue of the *Statistics of Income Bulletin* covering branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business.

There are several factors involved in the decision of a foreign investor to operate in the United States through either a "domestic" or "foreign" corporation [4]. The U.S. tax structure is one of these factors and it is discussed next in this article for foreign-controlled domestic corporations.

### U.S. TAXATION

Domestic corporations controlled by a foreign person are taxed by the United States in a manner similar to that of other domestic corporations. Control is defined for this purpose as 50 percent or more direct or indirect ownership of a corporation's voting stock by a foreign entity, such as a foreign corporation.

For 1987, only 8 percent (3,388 returns) of the 44,862 returns of foreign-controlled domestic corporations indicated an exact 50-percent foreign ownership level. The great majority (84 percent, or

37,519 returns) indicated that the level of ownership was over 50 percent. Another 3,955 returns (9 percent) indicated only that foreign ownership was 50 percent or more, but failed to provide the exact percentage of ownership [5]. All of these companies are included in the statistics.

Most domestic corporations are taxed on their worldwide income [6]. This includes corporations that are controlled by foreign persons. In general, the taxable income of a corporation is its gross receipts less ordinary and necessary business deductions and certain statutory special deductions. This income is shown in the statistical tables of this article under the heading "U.S. Income Subject to Tax." Taxable income includes both actual receipts and "constructive" receipts (i.e., certain income from Controlled Foreign Corporations and foreign dividend income resulting from foreign taxes deemed paid). However, it excludes interest from State and local Government obligations [7].

Unfortunately, the tax return form which is the source of the statistics in this article does not separate U.S.-source taxable income from foreign-source taxable income, although foreign-source income had to be reported by corporations which claimed a foreign tax credit (see the section entitled "Data Sources and Limitations"). The foreign tax credit is a credit allowed against U.S. income tax for income, war profits and excess profits taxes paid or accrued to foreign countries or U.S. possessions. To claim a foreign tax credit, a corporation had to have generated foreign-source taxable income, paid or accrued foreign income tax on the income, and had a U.S. income tax liability.

Foreign-controlled domestic corporations claimed \$660 million of foreign tax credits for 1987. This amount reduced their total U.S. income tax before credits (\$5.7 billion) by 12 percent. In contrast, the approximately 3.6 million U.S. corporation income tax returns showed a total of \$20.8 billion of foreign tax credits for 1987. This amount reduced their total U.S. income tax before credits (\$118.5 billion) by almost 18 percent [8].

The Tax Reform Act of 1986 changed the regular corporate tax rates, effective on July 1, 1987 [9]. The revised rates were used for tax years beginning on or after this date. For tax years that included July 1, 1987, both the old and new tax rates were applied to taxable income, and the tax was the result of prorated

the two figures based on where July 1 fell within the accounting period. Because the statistics used for 1987 represent corporate returns with accounting periods that ended between July 1987 and June 1988 (and, thus, began as early as August 1986 for a 12-month period), the income tax amounts were calculated based on a mix of both the old and revised tax rates.

For the period occurring before July 1, 1987, the regular corporate tax rates were as follows:

Taxable income	Tax rate
\$25,000 or less	15%
\$25,001 to \$50,000	18%
\$50,001 to \$75,000	30%
\$75,001 to \$100,000	40%
Over \$100,000	46%

If a corporation's taxable income exceeded \$1 million, then the corporation was liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over \$1 million, or (b) \$20,250.

For the period occurring on July 1, 1987, and thereafter, the corporate tax rates were changed to:

Taxable income	Tax rate
\$50,000 or less	15%
\$50,001 to \$75,000	25%
Over \$75,000	34%

If a corporation's taxable income exceeded \$100,000, then the corporation was liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over \$100,000, or (b) \$11,750.

For corporations with tax years that began before July 1, 1987, and had net long-term capital gains, an alternative method of tax computation could be used if it produced a lower amount of tax than under the regular method. Under the alternative method, net long-term capital gains were taxed separately at a rate of 28 percent (34 percent for the period January 1, 1987, to July 1, 1987). The remainder of taxable income was then taxed at the regular rates. Under the Tax Reform Act of 1986, for tax years beginning on or after July 1, 1987, the alternative tax computation did not apply; corporate long-term capital gains were taxed as ordinary income.

The 1986 Act created an alternative minimum tax (AMT). Capital gains of corporations were included in the base of this tax (i.e., alternative minimum taxable income). The AMT became effective for tax years beginning after December 31, 1986.

Credits could be used to reduce the tax calculated under either the regular or alternative methods. For Tax Year 1987, the two largest credits used by foreign-controlled domestic corporations were the foreign tax credit (previously described) and the general business credit. The latter credit (\$381 million claimed for 1987) is a combination of several individual credits -- investment credit, jobs credit, alcohol fuel credit, research credit, and low-income housing credit. The Tax Reform Act of 1986 made changes to several of these credits. Other credits claimed by taxpayers for 1987 were the U.S. possessions tax, orphan drug, and nonconventional source fuel credits. In addition to the regular or alternative tax after credits, a corporation's tax liability could include a tax from recomputing prior-year investment credits, an alternative minimum tax, and an environmental tax. The environmental tax (\$17 million for Tax Year 1987 for foreign-controlled domestic corporations) was authorized by the Superfund Amendments and Reauthorization Act of 1986.

Dividends paid by domestic corporations to the foreign persons that controlled them were generally subject to a withholding tax of 30 percent. However, this tax rate was often lower than 30 percent, for recipients of dividends who resided in a foreign country which had a tax treaty with the United States. The tax withheld represented final payment of the actual tax liability on dividend payments in most instances [10].

Dividends paid by foreign-controlled domestic corporations to U.S. persons were not subject to the withholding tax applicable to foreign recipients. However, these dividend payments did have to be reported to the Internal Revenue Service (IRS) by the corporations. In turn, these dividends were reported as income, and taxed accordingly, on the recipient's U.S. income tax return.

### REVENUE RECONCILIATION ACT OF 1989

The Revenue Reconciliation Act of 1989 amended Internal Revenue Code section 6038A to strengthen the recordkeeping and information reporting requirements, and compliance provisions, applicable to

foreign-owned corporations. The group of corporations subject to Code section 6038A was expanded by the Act to include domestic or foreign corporations engaged in a U.S. trade or business with at least 25 percent foreign ownership. Previously, the threshold for application of Code section 6038A was 50 percent ownership by a single foreign person.

The provisions of the 1989 Act apply to tax years beginning after July 10, 1989. These provisions do not affect the data for 1987 shown in this article. In addition, it should be noted that the information reported in this article is derived from original returns filed with IRS. It does not include changes made by IRS resulting from audit examinations, or made by taxpayers through amended returns.

### RAPID GROWTH

Foreign direct investment in the United States through foreign-controlled domestic corporations grew substantially during the 1984-1987 period (see Figure A).

Worldwide receipts of domestic corporations controlled by foreign persons increased from \$459 billion for 1984 to \$687 billion for 1987, a 50 percent increase using current dollars. (Adjusting for inflation through the use of the Gross National Product Implicit Price Deflator, these receipts increased by 36 percent [1.1].) In comparison, worldwide receipts reported on all U.S. corporation income tax returns grew from \$7.9 trillion for 1984 to \$9.6 trillion for 1987, a 22 percent increase (in current dollars) over the same time period. As a result of the rapid growth rate of foreign-controlled domestic corporations, their share of the receipts reported on all corporate returns increased from 5.9 percent for 1984 to 7.2 percent for 1987.

The growth of foreign-controlled domestic corporations can also be measured from the early 1970's. For 1971, these companies had \$39 billion of worldwide receipts, just 2.1 percent of the \$1.9 trillion reported for all corporations. For 1987, this percentage had grown to 7.2 percent.

Total assets of domestic corporations controlled by a foreign person grew at an even faster rate than that for receipts. Between 1984 and 1987, their assets increased from \$553 billion to \$959 billion, a 74 percent increase. During this period, their share of the assets reported on all U.S. corporation income

tax returns grew from 5.0 percent to 6.3 percent. For 1971, these companies had reported \$37 billion of assets, just 1.3 percent of the total.

Figure B also shows the more rapid growth of foreign-controlled domestic corporations as compared to U.S.-controlled domestic companies. During the period 1979 to 1987, the assets and receipts of the foreign-controlled companies grew more than three times faster than those of other domestic corporations.

The number of returns of foreign-controlled domestic corporations jumped to nearly 45,000 for 1987, after remaining relatively constant at roughly 37,000 for the 3 previous years [12]. However, despite the 1987 increase, returns of these companies comprised a constant percentage of all U.S. corporation income tax returns, about 1.2 percent for the 1984-1987 period.

It should be noted that foreign-controlled domestic corporations are considerably larger, on average, than other companies. Using 1987 data, while these companies accounted for only 1.2 percent of the total returns filed by corporations, they comprised 7.2 and 6.3 percent of the total receipts and assets, respectively. Percentages for these three items had similar magnitudes for 1984 through 1986, as well as back to 1971 (0.3, 2.1, and 1.3 percent for number of returns, total receipts, and total assets, respectively).

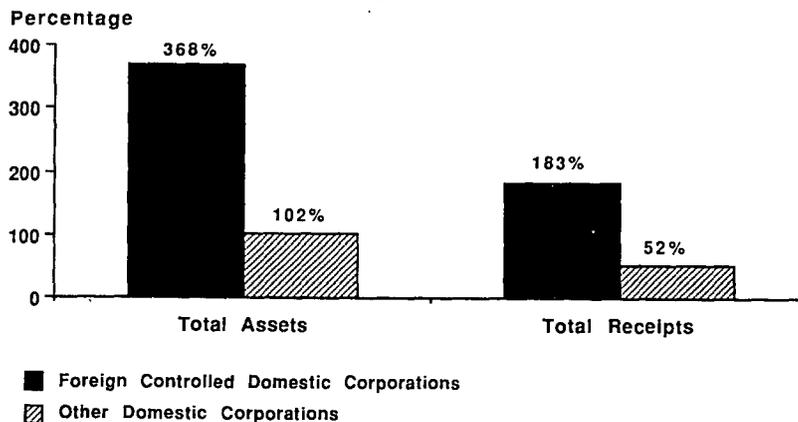
### INDUSTRY CHARACTERISTICS

Foreign-controlled domestic corporations were involved in every type of industrial activity, but were concentrated mainly in two industrial divisions: manufacturing and wholesale and retail trade (see Table 1) [13]. For 1987, these two divisions accounted for over 83 percent of the total receipts reported by all domestic corporations owned by a foreign person. By comparison, this percentage was higher than that for all companies which filed U.S. corporation income tax returns. For these returns for 1987, the manufacturing and wholesale and retail trade industrial divisions accounted for 62 percent of the total receipts.

Domestic corporations controlled by a foreign person were involved in the manufacture of many different products. Table 1A shows selected data for those manufacturing industries which had \$10 billion

Figure B  
Growth of Domestic Corporations, 1979-1987

[All figures are estimates based on samples]



or more of total receipts for 1987. Chemical manufacturers had receipts totalling \$55 billion for 1987. This amount was a 36 percent increase over that for 1986, and accounted for 21 percent of all receipts for manufacturing industries. Companies manufacturing petroleum and coal products (including integrated operations) had another \$54 billion of total receipts. In terms of total receipts, other significant manufacturing activities were electrical and electronic equipment (\$28 billion), food and kindred products (\$25 billion), nonelectrical machinery (\$12 billion), primary metals (\$12 billion), and fabricated metal products (\$11 billion).

The manufacturing industrial division showed a large increase in profits for 1987, with the combined net income (less deficit) increasing from a net deficit of \$600 million for 1986 to a net income of \$5.9 billion for 1987. Chemical and petroleum manufacturers were primarily responsible for these increased profits, as shown in Table 1A. Manufacturers of food and kindred products, fabricated metal products, and nonelectrical machinery also showed substantially increased profits for 1987.

The wholesale and retail trade industrial division had a 34 percent increase in total receipts for 1987, amounting to \$305 billion. Of this total, \$218 billion came from companies classified in the miscellaneous wholesale trade industry, which includes the distribution of the following products:

- Alcoholic beverages
- Apparel, piece goods, and notions
- Chemicals and allied products
- Drugs, drug proprietaries, and druggists' sundries
- Electrical goods
- Farm-product raw materials
- Furniture and home furnishings
- Hardware, plumbing, and heating equipment and supplies
- Lumber and construction materials
- Metals and minerals, except petroleum and scrap
- Motor vehicles and automotive equipment
- Paper and paper products
- Petroleum and petroleum products
- Sporting, recreational, photographic, and

hobby goods, toys, and supplies  
Other nondurable goods, except groceries and related products  
Other durable goods, except machinery, equipment, and supplies

Many of these companies were U.S. distributors of products made in foreign countries by their parent corporations.

The comparative levels of assets and receipts of foreign-owned companies primarily engaged in wholesale and retail trade and those engaged in finance, insurance and real estate differed significantly. Trade companies produced large amounts of receipts (\$305 billion for 1987) with relatively small amounts of assets (\$131 billion). Stated another way, this amounted to \$2.34 of receipts for

each dollar of assets. On the other hand, companies involved in finance, insurance and real estate had large amounts of assets (\$371 billion for 1987), but only \$61 billion of receipts. These companies produced less than \$0.17 of receipts for each dollar of assets.

Foreign-controlled domestic corporations accounted for 7.2 percent of the \$9.6 trillion of worldwide receipts reported by all companies filing U.S. income tax returns for 1987. These companies played important roles in certain industries, as shown in Figure C. In particular, foreign-controlled domestic corporations in the mining, wholesale and retail trade, and manufacturing industrial divisions accounted for 12.3, 11.0, and 8.5 percent, respectively, of the receipts of all companies classified in their divisions.

Figure C.—Domestic Corporations Controlled by a Foreign Person as a Percentage of All Corporations, Total Receipts, by Selected Major Industry, 1984-1987

[All figures are estimates based on samples—money amounts are in millions of dollars]

Selected major industry	1987 total receipts			total receipts as a percentage of all returns for—		
	All U.S. corporation income tax returns	Returns of domestic corporations controlled by a foreign person	Percentage of all returns	1986	1985	1984
	(1)	(2)	(3)	(4)	(5)	(6)
All Industries <sup>1</sup> .....	\$9,580,721	\$686,786	7.2%	6.3%	6.1%	5.8%
Agriculture, forestry and fishing.....	77,057	1,190	1.5	0.9	1.3	1.1
Mining, total.....	96,806	11,935	12.3	12.4	9.5	9.3
Metal mining.....	9,287	592	6.4	9.6	11.6	10.0
Coal mining.....	18,539	2,536	14.2	16.1	19.0	10.2
Oil and gas extraction.....	55,882	7,215	12.7	11.8	7.5	9.2
Nonmetallic minerals, except fuels.....	12,087	1,492	12.3	10.8	9.3	7.3
Construction.....	454,831	6,211	1.4	1.5	1.4	1.5
Manufacturing, total.....	3,141,406	265,644	8.5	7.6	7.2	6.4
Food and kindred products.....	343,867	25,070	7.3	5.7	6.0	4.3
Tobacco manufactures.....	54,404	9,593	17.6	18.4	22.8	23.1
Textile mill products.....	52,875	2,151	4.1	2.9	3.2	3.4
Apparel and other textile products.....	64,493	1,471	2.3	1.6	1.6	1.4
Lumber and wood products.....	85,984	4,967	5.8	2.9	2.0	0.6
Furniture and fixtures.....	35,500	890	1.9	1.8	2.0	1.3
Paper and allied products.....	100,149	3,949	3.9	3.4	4.4	4.8
Printing and publishing.....	139,364	9,747	7.0	5.6	5.7	4.9
Chemicals and allied products.....	306,409	55,100	18.0	14.0	11.6	11.4
Petroleum (including integrated) and coal products.....	396,218	53,520	13.5	11.4	11.0	10.8
Rubber and miscellaneous plastics products.....	67,640	5,801	8.6	7.7	6.6	5.2
Leather and leather products.....	14,912	3,268	21.9	21.8	11.1	2.0
Stone, clay, and glass products.....	63,136	7,899	12.5	13.4	13.4	14.3
Primary metal industries.....	117,290	12,208	10.4	8.8	10.8	5.7
Fabricated metal products.....	169,954	11,466	6.7	6.8	6.7	7.3
Machinery, except electrical.....	241,396	12,329	5.1	4.1	4.5	4.4
Electrical and electronic equipment.....	260,694	26,195	10.8	9.8	6.1	5.8
Motor vehicles and equipment.....	360,336	6,325	1.8	3.0	2.9	0.4
Transportation equipment, except motor vehicles.....	137,055	1,057	0.8	0.6	0.6	0.6
Instruments and related products.....	67,808	6,514	9.6	8.9	6.5	6.5
Miscellaneous manufacturing and manufacturing not allocable.....	61,218	4,303	7.0	8.7	7.5	6.1
Transportation and public utilities.....	786,179	15,120	1.9	1.6	1.3	1.3
Wholesale and retail trade, total.....	2,766,717	305,211	11.0	9.0	9.2	8.8
Wholesale trade, total.....	1,337,359	252,222	18.9	15.9	19.2	15.7
Groceries and related products.....	191,934	10,779	5.6	5.9	5.3	6.8
Machinery, equipment, and supplies.....	132,496	23,294	17.6	15.7	14.5	13.5
Miscellaneous wholesale trade.....	1,012,929	218,149	21.5	17.9	18.5	17.6
Retail trade.....	1,422,714	52,075	3.7	2.8	2.4	1.1
Wholesale and retail trade not allocable.....	6,644	914	13.8	1.2	6.6	1.1
Finance, insurance, and real estate.....	1,589,218	61,307	3.9	4.2	3.5	3.9
Services.....	663,133	19,841	3.0	2.1	2.4	2.4

<sup>1</sup> Includes "Nature of business not allocable," which is not shown separately.  
NOTE: This figure includes all major industries of those industrial divisions in which foreign-controlled domestic corporations accounted for 5 percent or more of the corporate totals. Only the totals for the other industrial divisions are shown.

There were two major industries (leather manufacturing and miscellaneous wholesale trade) in which foreign-controlled domestic corporations produced over 20 percent of the receipts for their industries. The percentage in the leather manufacturing industry jumped from only 2 percent for 1984 to nearly 22 percent for 1987. By comparison, the percentage for the miscellaneous wholesale trade industry was substantial during the entire 1984-1987 period.

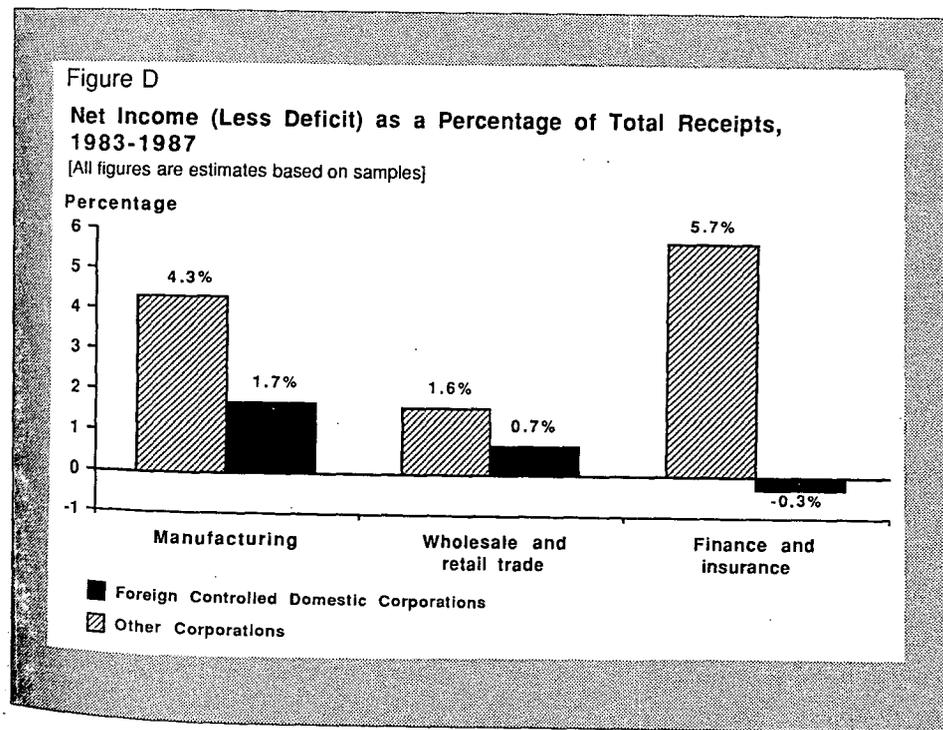
foreign-controlled domestic manufacturing companies had profits that were 1.7 percent of their total receipts, while the percentages for trade companies and finance and insurance corporations were 0.7 and -0.3 percent, respectively. For each of the three industry groups, other corporations had substantially higher profit percentages than the foreign-controlled companies.

### COUNTRY CHARACTERISTICS

Domestic companies owned by a foreign person comprised significant portions of several other industries for 1987. These included chemical manufacturers (18 percent of total receipts), tobacco manufacturers (17.6 percent), and wholesalers of machinery, equipment, and supplies (17.6 percent).

As Figure D shows, different industries can have very different levels of profitability, as percentages of their total receipts. For the 1983-1987 period,

Domestic corporations are owned by persons throughout the world. However, for 1987, owners from the seven countries shown in Table 2 controlled 53 percent of the 44,862 domestic corporations controlled by a foreign person. (The countries represent the geographic location of the direct foreign owner's country of residence, incorporation, organization, creation, or administration. Because holding companies located in other countries may directly own the stock of U.S. affiliates, the country reported on



the tax return may not necessarily reflect the country of the ultimate parent.) The 23,759 corporations owned by persons from these seven countries accounted for 78 and 75 percent of the total receipts and assets, respectively, of all foreign-controlled domestic corporations.

Domestic corporations controlled by persons from Japan had worldwide receipts of \$185 billion for 1987, an amount far larger than the receipts representing any other country. Japan also had the largest amount of receipts for the 1983-1986 period. Domestic corporations controlled by persons from the United Kingdom had the second largest amount of receipts during the 1983-1987 period.

The worldwide receipts of domestic corporations controlled by a foreign person increased by 27 percent between 1986 and 1987. For corporations with owners from the seven countries shown in Table 2, the growth rates varied widely. Corporations owned by persons from the Netherlands Antilles showed increases in total receipts of 61 percent. Percentage increases for France (36 percent), Japan (33 percent), Canada (28 percent), the United Kingdom (23 percent), and West Germany (18 percent) were close to the 27-percent average for all countries. Corporations owned by persons from the Netherlands (8 percent) had smaller-than-average increases in receipts for 1987.

The percentage increases for countries over a 1-year period can be very different from those for a longer period of time, such as from 1984 to 1987. Figure E illustrates the differences for the seven countries previously discussed. For instance, while the Netherlands Antilles had the largest 1-year percentage increase, three other countries had larger increases over the 1984-1987 period. One of these countries, West Germany, had the largest percent-

Figure E.—Percentage Increases of Total Receipts of Domestic Corporations Controlled by a Foreign Person, by Selected Countries, 1984-1987

[All figures are estimates based on samples]

Selected country	Percentage increase of total receipts between—	
	1986 and 1987	1984 and 1987
All countries	27%	50%
Netherlands Antilles	61	54
France	36	34
Japan	33	64
Canada	28	63
United Kingdom	23	34
West Germany	18	72
Netherlands	8	8

age increase over the 3-year period, although its 18 percent increase between 1986 and 1987 was less than the average for all countries.

## INDUSTRY AND COUNTRY COMBINATIONS

Figure F shows selected data items for the predominant industry-country combinations for domestic corporations controlled by a foreign person. This figure shows only those combinations in which companies comprised \$5 billion or more of total receipts for 1987, in order of decreasing size of receipts.

The 23 combinations shown in Figure F accounted for nearly 50 percent of the \$687 billion of receipts generated by foreign-controlled domestic corporations for 1987. One industry-country combination, namely miscellaneous wholesalers owned by Japanese persons, produced almost 20 percent of the total receipts. This was far larger than any other combination, with petroleum manufacturers owned by persons from the Netherlands being the second largest combination with 4 percent of the total. Japanese miscellaneous wholesalers increased their total receipts from \$100 billion for 1986 to \$136 billion for 1987, a 36 percent increase.

The 44,862 foreign-controlled domestic corporations had a total U.S. income tax liability after credits of \$4.6 billion on their \$687 billion of worldwide receipts, a 0.7 percentage. This percentage varied among the 23 predominant industry-country combinations, ranging from a low of 0.03 percent for electrical and electronic equipment manufacturers owned by persons from the Netherlands, to a high of 2.3 percent for tobacco manufacturers owned by persons from the United Kingdom.

The 0.7 (or more specifically, 0.664) percentage for foreign-controlled domestic corporations is somewhat less than the average for other companies. By comparison, for 1987, other domestic corporations filing U.S. income tax returns reported a total U.S. income tax liability of \$80 billion after credits on \$7.7 trillion of worldwide receipts, a 1.041 percentage.

## INCOME STATEMENT AND TAX ITEMS

Over 92 percent of the \$687 billion in total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts" (i.e., receipts from sales and operations). Interest income

Figure F.—Domestic Corporations Controlled by a Foreign Person: Selected Items, by Selected Industry and Country Combinations Ranked by Total Receipts, 1987

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industry and country	Number of returns	Total receipts	Total U.S. income tax after credits	Percentage (Col. 3 / Col. 2)	
	(1)	(2)	(3)	(4)	
All industries	44,862	\$686,785,812	\$4,561,221	0.7%	
Miscellaneous wholesale trade	1,520	136,245,091	618,638	0.5	
Manufacturing: petroleum (including integrated and coal products)	(1)	28,791,615	16,781	0.1	
Manufacturing: petroleum (including integrated and coal products)	United Kingdom	7	16,334,666	306,921	1.9
Wholesale trade, machinery, equipment, and supplies	Japan	246	12,573,999	43,859	0.3
Miscellaneous wholesale trade	West Germany	728	12,545,706	16,683	0.1
Manufacturing: chemicals and allied products	West Germany	52	10,718,195	126,876	1.2
Manufacturing: chemicals and allied products	Netherlands	16	9,492,342	82,252	0.9
Manufacturing: tobacco	United Kingdom	(1)	9,456,987	213,356	2.3
Manufacturing: chemicals and allied products	United Kingdom	12	9,190,659	143,691	1.6
Miscellaneous wholesale trade	United Kingdom	368	8,741,907	122,250	1.4
Trading and other investment companies, except bank holding companies	United Kingdom	251	8,590,954	96,605	1.1
Miscellaneous wholesale trade	France	567	7,256,076	23,867	0.3
Manufacturing: electrical and electronic equipment	Japan	53	7,252,965	50,963	0.6
Manufacturing: electrical and electronic equipment	Netherlands	10	6,756,307	1,905	(2)
Manufacturing: food and kindred products	United Kingdom	11	6,725,692	28,585	0.4
Retail trade: food stores	(1)	6,577,557	15,464	0.2	
Manufacturing: petroleum (including integrated and coal products)	Netherlands Antilles	43	6,320,775	4,933	0.1
Manufacturing: chemicals and allied products	Switzerland	44	6,094,542	48,514	0.8
Miscellaneous wholesale trade	Canada	272	6,019,823	23,231	0.4
Miscellaneous wholesale trade	South Korea	47	5,991,627	27,121	0.5
Miscellaneous wholesale trade	Netherlands Antilles	134	5,314,526	22,542	(1)
Manufacturing: chemicals and allied products	Netherlands Antilles	3	5,099,528	19,144	0.4
Miscellaneous wholesale trade	Switzerland	222	5,009,528	42,475	0.8

<sup>1</sup> Estimate is not shown to avoid disclosure of information.

<sup>2</sup> Percentage is less than 0.05 but greater than zero.

<sup>3</sup> Estimate should be used with caution because of the small number of sample returns on which it is based.

Note: This figure includes only those industry-country combinations which had \$5 billion or more of total receipts for 1987.

of \$28.2 billion accounted for an additional 4 percent of the total, with banks producing the largest part (\$11.9 billion). (Briefly, banking items such as fees, commissions, trust department earnings, exchange collections, discounts, and service charges were included in business receipts. Interest, the principal operating income of banks, is excluded from business receipts.)

These same domestic companies claimed \$681 billion in deductions for 1987. Cost of sales and operations was \$482 billion, or 71 percent of the total [14]. Interest paid (\$36 billion, including \$8 billion paid mostly to depositors by banks) and depreciation (\$20 billion) accounted for 5 and 3 percent, respectively, of the total deductions. The percentages for interest paid and depreciation are very similar to those for all corporations which filed U.S. income tax returns (6 and 3 percent, respectively).

For 1987, the percentage of cost of sales and operations to total receipts was considerably higher for foreign-controlled domestic corporations whose principal business activity was trade than it was for other trade companies (see Figure G). For manufacturers, the percentage for foreign-controlled domestic corporations and other companies was very close.

Figure G.—Cost of Sales and Operations as a Percentage of Total Receipts, 1987

[All figures are estimates based on samples—money amounts are in millions of dollars]

Foreign-controlled domestic corporations:	
Manufacturing:	
Total receipts	\$265,644
Cost of sales and operations	172,370
Percentage	64.85%
Wholesale and retail trade:	
Total receipts	\$305,211
Cost of sales and operations	256,099
Percentage	83.91%
Other corporations:	
Manufacturing:	
Total receipts	\$2,875,763
Cost of sales and operations	1,862,449
Percentage	64.78%
Wholesale and retail trade:	
Total receipts	\$2,461,506
Cost of sales and operations	1,820,367
Percentage	73.95%

The net income (less deficit) for foreign-controlled domestic corporations was \$5.6 billion for 1987, the highest amount reported for recent years and considerably different from the net negative amount of \$1.5 billion reported for 1986, which was the lowest amount reported for recent years [15]. Most of this increased profit occurred in manufacturing. In particular, integrated petroleum manufacturers, as well as manufacturers of chemicals, food, non-electrical machinery, primary metals, and fabricated metal products showed higher profits (as computed under the Internal Revenue Code) for 1987.

The \$5.6 billion of net income (less deficit) was the result of 18,466 corporations reporting \$19.8 billion of profits and 26,396 companies reporting \$14.2 billion of deficits [16]. Thus, only 41 percent of the domestic corporations with foreign owners reported a profit for 1987. By comparison, 55 percent of all corporations filing U.S. income tax returns for 1987 reported profits which totalled \$465 billion. The deficits for all corporations were \$137 billion, resulting in a net income (less deficit) amount of \$328 billion. The percentages of corporations reporting a profit for 1987 were similar to those for the 1984-1986 period (see Figure H).

It is instructive to compare amounts of net income (less deficit) and total income tax after credits to total assets and receipts, for both foreign-controlled domestic corporations and other domestic corporations. The four ratios shown in Figure I are all lower for foreign-controlled domestic corporations than the comparable ratios for other domestic companies. Using total income tax after credits as the numerator, as opposed to net income (less deficit), produces a smaller difference between the ratios for the two groups of companies. This reflects the fact that while only 41 percent of foreign-controlled

domestic corporations reported net income, these companies had significant amounts of profits, which resulted in considerable amounts of tax after credits. On the other hand, 59 percent of these companies reported significant amounts of deficits, which could be carried back or forward, under prescribed rules, to reduce taxable income for other years.

The percentage of before-tax net income (less deficit) compared to total assets is commonly referred to as the rate of return on assets. For 1987, foreign-controlled domestic corporations had a 0.58 percent rate of return as compared to a 1.86 percent rate for other domestic companies. Figure J shows that a similar difference occurred for every year since 1981. The rates may reflect certain transfer pricing practices of foreign-controlled domestic corporations that buy goods and services from related persons outside the United States. These practices help determine the amounts of their expenses and, as a result, their income [17].

For 1987, profitable foreign-controlled domestic corporations had \$14.5 billion of "U.S. income subject to tax" (the base on which tax was computed), resulting in tax before credits of \$5.7 billion [18]. The

Figure I.—Comparative Rates of Net Income (Less Deficit) and Taxes to Total Assets and Receipts, for Foreign-Controlled and Other Domestic Corporations, 1987

[All figures are estimates based on samples—money amounts are in billions of dollars]

Item	Domestic corporations controlled by a foreign person	Other domestic corporations
Number of returns.....	44,862	2,419,978
Total assets.....	\$59.4	\$12,834.8
Total receipts.....	686.8	7,673.0
Net income (less deficit).....	5.6	239.0
Net income.....	19.8	337.3
Deficit.....	14.2	98.3
Total income tax after credits.....	4.6	79.9
Net income (less deficit) to total receipts.....	0.82%	3.11%
Net income (less deficit) to total assets.....	0.58	1.86
Total income tax after credits to total receipts.....	0.67	1.04
Total income tax after credits to total assets.....	0.46	0.62

difference between the \$19.8 billion of profit (or net income) and \$14.5 billion of income subject to tax was the result of statutory special deductions. These deductions were allowed most corporations in computing their taxable income and were for "net operating losses" from other years and deductions for both intercorporate dividends received and for dividends on certain preferred stock of public utilities. See the "Explanation of Selected Terms" section of this article for a discussion of net operating losses.

Tax credits totalling \$1.1 billion reduced the U.S. tax liability of foreign-owned domestic corporations to \$4.6 billion for 1987. The largest credits claimed were \$660 million of foreign tax credits and \$381 million of general business credits. The other credits were the U.S. possessions tax credit (\$73 million), and small amounts of orphan drug and nonconventional source fuel credits. The \$4.6 billion of total U.S. income tax after credits represents the tax liability as reported by taxpayers. However, it does not include any changes made by taxpayers through amended returns or by the IRS as a result of audit examination.

**SUMMARY**

Direct foreign investment in the United States through corporations continued to grow at a relatively fast rate for 1987. While worldwide receipts reported on all U.S. corporation income tax returns increased by 10.5 percent (using current dollars) for 1987, receipts of domestic corporations controlled by foreign persons increased by 26.6 percent.

Foreign-controlled domestic corporations generated approximately 83 percent of their total

Figure H  
Percentage of Corporation Returns Reporting Net Income, 1984-1987  
[All figures are estimates based on samples]

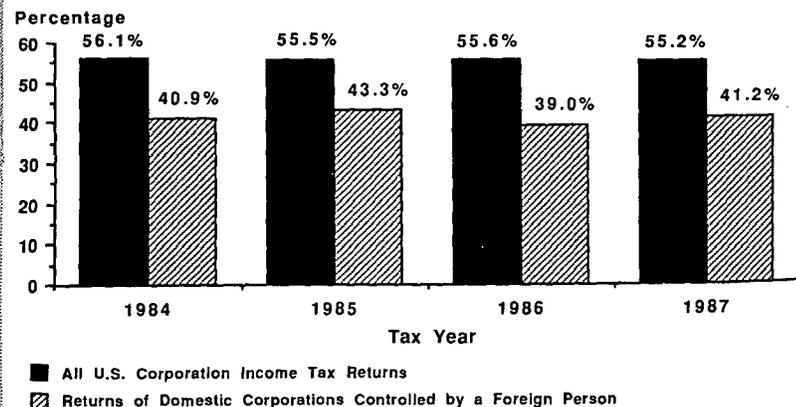
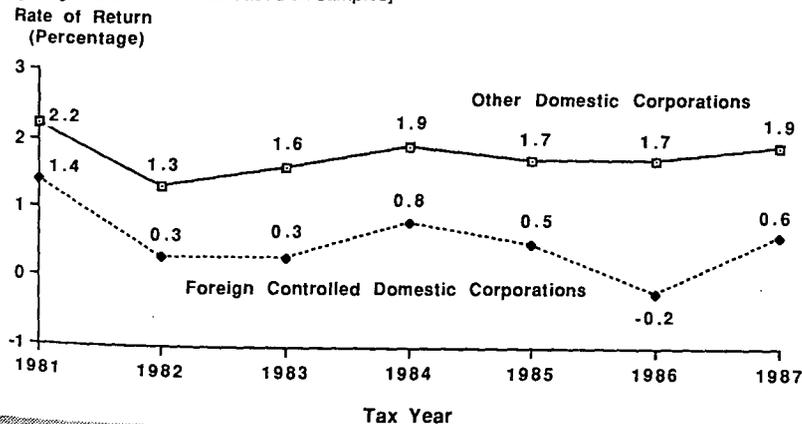


Figure J  
Rate of Return on Assets, 1981-1987  
[All figures are estimates based on samples]



receipts from two industrial divisions: manufacturing and trade. From a country perspective, domestic corporations controlled by persons from Japan had worldwide receipts of \$185 billion, 27 percent of the total. More specifically, miscellaneous wholesalers with Japanese owners had receipts of \$136 billion for 1987, which accounted for nearly 20 percent of the total.

The profitability of foreign-controlled domestic corporations increased significantly for Tax Year 1987. The net income (less deficit) amount for these companies was \$5.6 billion for that year, the highest amount reported for recent years, as compared to a net negative amount of \$1.5 billion reported for 1986, which was the lowest amount of recent years. Manufacturing companies accounted for most of the increased profits.

### EXPLANATION OF SELECTED TERMS

**Attribution rules.**—In regard to domestic corporations that are 50 percent or more owned by a foreign "person," these rules provide that an individual shall be considered as owning the stock of a corporation that is owned, directly or indirectly, by or for his or her family. The family of an individual includes his or her spouse, brothers and sisters, ancestors, and lineal descendants. For more information on these rules, see section 267(c) of the Internal Revenue Code. However, if a corporation is owned by two or more unrelated persons, neither of whom owned 50 percent or more of the corporation, then that corporation was excluded from the statistics even though, together, the persons may have met the 50 percent ownership criterion.

**Foreign person.**—A foreign person (or entity) is defined as a person other than a U.S. person. A U.S. person includes: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or trust). Section 7701 of the Internal Revenue Code further defines the term U.S. person.

**Net income (or deficit).**—This is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. It reflects not only actual receipts but "constructive" receipts as well. Interest from State and local Government obligations is excluded from this item. Because certain statutory special

deductions, including the net operating loss deduction, were allowed most corporations in computing their income subject to tax, the statistics for net income are generally larger than the amounts shown for "U.S. income subject to tax," i.e., the base on which tax was computed. See also the discussion of the "Net Operating Loss Deduction" in this section of the article.

**Net operating loss deduction.**—A statutory net operating loss (NOL) for a given tax year can be carried back over a 3-year period to reduce the taxable income of those years, and any amount of the NOL not offset against income during that time could be carried forward against income for a period not exceeding 15 years. The amount of NOLD included in this study, however, consists only of losses from prior years actually used to reduce taxable income for the current (1987) tax year. Losses incurred after the 1987 Tax Year and carried back to that year at a later date could not be reported on the tax returns used for this article. Net operating losses on which the 1987 deduction was based include: (1) the excess of ordinary and necessary business expenses over income in previous loss years, and (2) statutory special deductions claimed in a loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

**Other domestic corporations.**—Data shown in this article for these companies come from Forms 1120, 1120A, 1120L, and 1120PC (stock companies). The following forms were excluded: 1120S, 1120F, 1120-IC-DISC, 1120-FSC, 1120-RIC, 1120-REIT, and 1120PC (mutual companies).

**Rate of return on assets.**—For domestic corporations, this is the amount of before-tax net income (less deficit) calculated for U.S. tax purposes expressed as a percentage of total assets.

### DATA SOURCES AND LIMITATIONS

#### Sample

The statistics for domestic corporations controlled by a foreign person shown in this article are based primarily on samples of Forms 1120 (U.S. Corporation Income Tax Return). In addition to this form, the 1987 statistics include data from Forms 1120L (U.S. Life Insurance Company Income Tax Return), as well as from small numbers of Forms 1120-IC-DISC (Interest Charge Domestic International Sales Corpora-

tion Return), Forms 1120-RIC (U.S. Income Tax Return for Regulated Investment Companies), and Forms 1120-REIT (U.S. Income Tax Return for Real Estate Investment Trusts).

Form 1120 samples were stratified based on the size of total assets and net income (or deficit) and the business activity. For 1987, the Form 1120 achieved sampling rates ranged from 0.0035 percent to 100 percent.

Because the data presented in this article are estimates based on samples, they are subject to sampling error. To properly use these data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. For a general discussion of CV's, see the Appendix to this publication. For a more detailed discussion of CV's for 1987, see *Statistics of Income—Corporation Income Tax Returns* for 1987.

### NONSAMPLING LIMITATIONS

Most of the data in this article relate to Tax Year 1987. However, the estimates cover returns with accounting periods that ended in a 12 month span beginning in July and ending in June. Thus, for Tax Year 1987, the span was between July 1987 and June 1988. As a result of the 12 month span for ending accounting periods, the statistics for each year shown in this article include income received or expenses incurred during a 23 month span. For Tax Year 1987, that span was from August 1986 through June 1988.

Each return used for the studies described in this article had an industry code reported or assigned during statistical processing. This code was used as a classifier of the returns, as shown in Tables 1 and 1A of this article. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. To the extent that some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

Each return used for the statistics described in this article also had a foreign country code assigned during statistical processing, which identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country where the foreign entity was incorporated, organized, created, or administered. The code was used as a classifier of the returns shown in Table 2. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate parent, the data are not entirely related to the foreign country under which they are shown.

Returns were selected for this study based on taxpayers' responses to a question on the Form 1120 which asks whether "a person other than a U.S. person" owned, directly or indirectly, 50 percent or more of the filing corporation's voting stock. Certain taxpayers incorrectly answered this question "yes" when a U.S. person other than an individual (such as a U.S. corporation) was the owner. (See the definition of a foreign person in the "Explanation of Selected Terms" section of this article.) These reporting errors were primarily made by corporations with small amounts of assets and income. As a result of these errors, it is estimated that the number of returns may be overstated by 5 to 10 percent, however, money amounts for balance sheet, income statement and tax items are only minimally overstated. Additional research on the frequency of these incorrect responses will be done for the 1988 study. In addition, the question on Form 1120 will be changed to ask if any "foreign person" owned, directly or indirectly, 50 percent or more of the filing corporation's voting stock.

### FOOTNOTES

- [1] For purposes of this article, "control" is defined as ownership by any foreign person (i.e., an individual, partnership, corporation, estate or trust), directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock at the end of the tax year. For rules of attribution, see the "Explanation of Selected Terms" section of this article and section 267(c) of the Internal Revenue Code.
- [2] Portfolio investment is different from direct investment in that there is no control of the management of the enterprise, except to the extent, for example, of rights to vote peri-

- odically in stockholder meetings of corporations. The portfolio investor has a minimal interest in a company, and is primarily seeking dividend payments or an increase in the value of the shares of stock.
- [3] The Bureau of Economic Analysis of the U.S. Department of Commerce publishes data on foreign direct investment in the United States in the *Survey of Current Business*. See Herr, Ellen M., "U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1987," Volume 68, Number 5, May 1988; Howenstine, Ned G., "U.S. Affiliates of Foreign Companies: 1987 Benchmark Survey Results," Volume 69, Number 7, July 1989; and "Foreign Direct Investment in the United States: Detail for Position and Balance of Payment Flows, 1987," Volume 68, Number 8, August 1988.
- [4] Sections 7701(a)(4) and (5) of the Internal Revenue Code defined a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation was one which was not domestic.
- [5] Information on ownership levels was asked by questions on the corporation income tax return which requested the owner's name, country and percentage of voting stock owned when any foreign individual, partnership, corporation, estate or trust owned, directly or indirectly, 50 percent or more of the corporation's voting stock at the end of the tax year.
- [6] Interest Charge Domestic International Sales Corporations (beginning in 1985) were not subject to U.S. taxation. Instead, the stockholders of these companies were subject to taxation when profits from these companies were distributed or deemed to be distributed to them. In addition, "S" Corporations were generally not taxed on their income, but rather passed the income on to their stockholders for taxation purposes. Finally, regulated investment companies and real estate investment trusts were only taxed on income that was not distributed to their shareholders.
- [7] For a more complete discussion of taxable income, see *Statistics of Income—1987, Corporation Income Tax Returns*.
- [8] Foreign tax credits are claimed by only a small percentage of corporations. For 1987, 1.1 percent of foreign-controlled domestic corporations claimed this credit. The most recent detailed information on corporate foreign tax credits will be discussed in an article to appear in the Fall 1990 issue of the *Statistics of Income Bulletin*.
- [9] For a more detailed discussion of the Tax Reform Act of 1986, see *Statistics of Income—Corporation Income Tax Returns* for 1986 and 1987.
- [10] For detailed information on U.S.-source dividends (and certain other types of income) paid to foreign persons, see Flaherty, Marilyn J., "Foreign Recipients of U.S. Income, and Tax Withheld, 1987," *Statistics of Income Bulletin*, Winter 1989-90, Volume 9, Number 3.
- [11] The source of the GNP Implicit Price Deflator is the *Survey of Current Business*, Bureau of Economic Analysis, U.S. Department of Commerce.
- [12] The increase in the number of returns for 1987 may be a reflection of additional incentives for foreigners to purchase U.S. companies, provided by the Tax Reform Act of 1986. See Scholes, Myron and Wolfson, Mark, "The Effects of Changes in Tax Laws on Corporate Reorganization Activity," *NBER Working Paper No. 3095*, National Bureau of Economic Research.
- [13] See the "Data Sources and Limitations" section of this article for a discussion of how returns are industry coded during statistical processing.

- [14] The Tax Reform Act of 1986 enacted Internal Revenue Code section 1059A, which limits the cost of property imported (directly or indirectly) into the United States by a U.S. taxpayer from a related person to the cost used for customs valuation purposes. Section 1059A became effective for transactions entered into after March 18, 1986.
- [15] For statistical purposes, net income (less deficit) is the difference between "modified" total receipts and total deductions. The \$687 billion of total receipts for 1987 is modified as follows: (1) tax-exempt interest from State and local Government obligations is subtracted and (2) "constructive" receipts are added. Constructive receipts are the sum of the following types of taxable income from related foreign corporations: (1) includable income from Controlled Foreign Corporations, and (2) foreign dividend income resulting from foreign taxes deemed paid. Net income (less deficit) should also be distinguished from taxable income (i.e., "U.S. income subject to tax"). Because certain statutory special deductions, including the net operating loss deduction, were allowed most companies in computing their taxable income, the statistics for net income are generally larger than the amounts shown for taxable income.
- [16] The 26,396 companies reporting a deficit include a small number of "breakeven" companies, i.e., those whose receipts and deductions were equal.
- [17] See Dworin, Lowell, "Transfer Pricing Issues," to be published in the *National Tax Journal*.
- [18] The \$5.7 billion of total income tax before credits includes an alternative minimum tax (\$143 million), a tax from recomputing prior-year investment credits (\$37 million), and an environmental tax (\$17 million).

Table 1.—Selected Items, by Industrial Division, 1984–1987

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division and item	1984	1985	1986	1987
	(1)	(2)	(3)	(4)
<b>ALL INDUSTRIES<sup>1</sup></b>				
Number of returns, total	37,401	36,677	36,778	44,862
With net income	15,306	15,882	14,348	18,466
Total receipts	459,161,616	513,777,982	542,634,669	686,765,812
Net income (less deficit)	4,526,142	2,978,286	5,978,265	5,626,265
Net income	15,355,593	14,500,125	12,745,420	19,764,758
U.S. income subject to tax	13,410,915	11,428,043	9,369,719	14,477,187
Total U.S. income tax—				
Before credits	6,049,943	5,152,493	4,069,805	5,675,568
After credits	4,487,752	3,576,147	3,042,942	4,561,221
<b>AGRICULTURE, FORESTRY AND FISHING</b>				
Number of returns, total	1,135	964	1,170	1,103
With net income	390	378	589	589
Total receipts	726,634	914,938	722,243	1,190,344
Net income (less deficit)	-100,816	-76,329	-56,596	-45,116
Net income	39,582	49,981	80,528	85,105
U.S. income subject to tax	5,358	24,791	59,875	55,321
Total U.S. income tax—				
Before credits	1,275	10,210	17,249	19,275
After credits	2,191	2,607	13,990	16,272
<b>MINING</b>				
Number of returns, total	1,248	1,015	1,065	1,657
With net income	222	136	358	127
Total receipts	11,426,911	13,442,356	12,230,149	11,935,427
Net income (less deficit)	-1,186,103	-1,283,326	-1,330,594	-551,206
Net income	564,615	398,769	606,930	813,196
U.S. income subject to tax	481,545	234,693	466,171	514,672
Total U.S. income tax—				
Before credits	225,385	114,946	222,333	219,443
After credits	65,999	59,452	150,664	150,664
<b>CONSTRUCTION</b>				
Number of returns, total	860	1,060	858	1,013
With net income	654	729	345	345
Total receipts	5,204,036	5,236,279	6,077,854	6,210,638
Net income (less deficit)	-17,357	-21,509	-55,139	-62,391
Net income	96,377	160,969	160,302	160,302
U.S. income subject to tax	66,240	78,979	48,911	44,938
Total U.S. income tax—				
Before credits	24,655	30,758	18,930	18,194
After credits	22,466	16,055	18,033	16,984
<b>MANUFACTURING</b>				
Number of returns, total	3,392	4,011	3,969	4,155
With net income	1,941	1,971	2,068	2,068
Total receipts	178,076,536	202,466,147	213,172,653	265,643,887
Net income (less deficit)	5,296,604	2,931,428	-615,581	5,929,872
Net income	8,185,527	6,633,137	4,931,562	10,294,265
U.S. income subject to tax	7,542,966	5,401,714	7,502,478	7,502,478
Total U.S. income tax—				
Before credits	3,431,363	2,466,796	1,508,219	2,906,754
After credits	2,363,459	1,353,846	1,017,840	1,017,840
<b>TRANSPORTATION AND PUBLIC UTILITIES</b>				
Number of returns, total	569	484	548	1,117
With net income	323	254	202	244
Total receipts	9,115,440	10,310,044	12,095,234	15,119,699
Net income (less deficit)	95,175	101,973	111,081	107,196
Net income	311,784	421,207	468,531	741,986
U.S. income subject to tax	299,989	391,333	414,708	474,732
Total U.S. income tax—				
Before credits	134,440	178,452	193,899	193,899
After credits	74,404	142,958	95,750	121,262
<b>WHOLESALE AND RETAIL TRADE</b>				
Number of returns, total	14,190	13,680	13,341	16,464
With net income	5,974	6,146	7,456	7,456
Total receipts	201,958,918	227,402,547	228,032,846	305,211,015
Net income (less deficit)	2,431,063	2,393,885	1,287,084	937,953
Net income	4,531,475	4,499,963	3,839,541	4,456,676
U.S. income subject to tax	4,073,274	3,964,105	3,905,905	3,902,392
Total U.S. income tax—				
Before credits	1,845,723	1,785,942	1,423,347	1,424,985
After credits	1,682,961	1,604,608	1,282,004	1,374,217
<b>FINANCE, INSURANCE AND REAL ESTATE</b>				
Number of returns, total	9,556	11,149	9,735	12,399
With net income	3,201	3,846	4,181	4,181
Total receipts	40,544,227	41,304,615	57,810,717	61,307,219
Net income (less deficit)	-1,675,421	-790,997	-434,494	-351,038
Net income	1,270,412	1,911,907	2,781,670	2,781,670
U.S. income subject to tax	719,614	1,037,017	1,369,032	1,816,956
Total U.S. income tax—				
Before credits	301,660	442,409	539,231	711,495
After credits	204,481	304,032	419,416	617,376
<b>SERVICES</b>				
Number of returns, total	6,038	4,066	6,218	6,832
With net income	2,720	2,420	2,659	3,447
Total receipts	11,968,534	12,686,424	12,413,562	19,840,547
Net income (less deficit)	-314,729	-317,418	-200,915	-692,485
Net income	355,763	416,092	507,059	635,909
U.S. income subject to tax	221,791	295,412	373,342	475,683
Total U.S. income tax—				
Before credits	84,440	122,981	154,466	181,579
After credits	72,689	92,587	129,503	143,556

<sup>1</sup>Includes "Nature of business not allocable," which is not shown separately.

<sup>2</sup>Estimate should be used with caution because of the small number of sample returns on which it is based.

Note: Net income (or deficit) is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. It reflects actual and "constructive" receipts but excludes interest from State and local Government obligations. Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their taxable income (i.e., the base on which tax was computed), the statistics for net income are generally larger than the amounts for "U.S. income subject to tax."

Table 1A.—Manufacturing: Selected Items, 1984–1987

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industry and item	1984	1985	1986	1987
	(1)	(2)	(3)	(4)
<b>TOTAL MANUFACTURING</b>				
Number of returns, total	3,392	4,011	3,969	4,155
With net income	1,941	1,971	2,068	2,068
Total receipts	178,076,536	202,466,147	213,172,653	265,643,887
Net income (less deficit)	5,296,604	2,931,428	-615,581	5,929,872
Net income	8,185,527	6,633,137	4,931,562	10,294,265
U.S. income subject to tax	7,542,966	5,401,714	7,502,478	7,502,478
Total U.S. income tax—				
Before credits	3,431,363	2,466,796	1,508,219	2,906,754
After credits	2,363,459	1,353,846	1,017,840	1,017,840
<b>PETROLEUM (INCLUDING INTEGRATED) AND COAL PRODUCTS</b>				
Number of returns, total	106	225	369	95
With net income	41	9	18	25
Total receipts	53,270,641	51,628,741	40,608,819	53,520,029
Net income (less deficit)	4,197,257	2,395,790	-2,170,269	602,087
Net income	4,319,499	12,447,883	4,043	1,047,231
U.S. income subject to tax	4,268,831	2,272,567	1,295	1,016,407
Total U.S. income tax—				
Before credits	1,939,501	1,050,362	19,126	383,204
After credits	1,264,753	369,769	11,825	328,722
<b>CHEMICALS AND ALLIED PRODUCTS</b>				
Number of returns, total	205	169	207	274
With net income	119	97	68	98
Total receipts	27,821,870	30,958,899	40,577,794	55,099,632
Net income (less deficit)	584,180	455,169	2,756,279	632,612
Net income	1,050,753	1,063,596	1,336,948	3,159,547
U.S. income subject to tax	931,197	915,919	969,334	2,444,876
Total U.S. income tax—				
Before credits	424,751	420,727	440,610	947,314
After credits	263,426	263,478	250,296	545,663
<b>ELECTRICAL AND ELECTRONIC EQUIPMENT</b>				
Number of returns, total	693	787	971	356
With net income	322	382	132	132
Total receipts	14,096,743	15,207,914	24,409,838	28,195,192
Net income (less deficit)	276,753	36,373	155,294	106,466
Net income	517,127	449,329	684,542	723,795
U.S. income subject to tax	404,426	302,762	493,195	609,924
Total U.S. income tax—				
Before credits	182,575	134,329	211,869	239,366
After credits	153,145	124,177	116,727	173,855
<b>FOOD AND KINDRED PRODUCTS</b>				
Number of returns, total	167	135	205	349
With net income	104	86	28	92
Total receipts	13,720,196	19,296,441	17,558,217	25,069,807
Net income (less deficit)	31,970	158,655	346,477	1,002,573
Net income	317,327	329,465	532,482	1,242,443
U.S. income subject to tax	297,515	145,928	340,221	1,003,068
Total U.S. income tax—				
Before credits	134,621	63,340	137,707	352,140
After credits	111,953	44,471	75,869	213,586
<b>MACHINERY, EXCEPT ELECTRICAL</b>				
Number of returns, total	697	505	190	435
With net income	266	158	91	275
Total receipts	8,803,863	9,582,504	8,685,413	12,328,798
Net income (less deficit)	-123,232	-341,149	-405,778	13,668
Net income	202,119	160,448	169,238	276,370
U.S. income subject to tax	122,831	104,418	78,030	137,462
Total U.S. income tax—				
Before credits	55,310	47,426	35,235	55,634
After credits	48,560	35,651	27,561	42,890
<b>PRIMARY METAL INDUSTRIES</b>				
Number of returns, total	64	60	64	69
With net income	41	31	32	40
Total receipts	8,832,920	12,388,236	10,220,237	12,208,216
Net income (less deficit)	-123,714	-368,453	11,199	172,834
Net income	113,871	137,394	162,994	302,504
U.S. income subject to tax	75,637	118,157	110,417	131,992
Total U.S. income tax—				
Before credits	34,981	54,609	47,105	58,701
After credits	27,756	42,874	39,959	53,984
<b>FABRICATED METAL PRODUCTS</b>				
Number of returns, total	282	619	386	275
With net income	204	207	110	110
Total receipts	10,365,005	10,100,150	10,349,866	11,466,240
Net income (less deficit)	-354,528	-273,958	-126,877	405,892
Net income	151,537	125,634	128,090	710,549
U.S. income subject to tax	133,424	87,406	80,923	112,968
Total U.S. income tax—				
Before credits	60,997	37,792	35,890	71,922
After credits	50,694	27,500	26,596	65,717

<sup>1</sup>Estimate should be used with caution because of the small number of sample returns on which it is based.

Note: This table includes only those manufacturing industries which had \$10 billion or more of total receipts for 1987.

Note: Net income (or deficit) is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. It reflects actual and "constructive" receipts but excludes interest from State and local Government obligations. Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their taxable income (i.e., the base on which tax was computed), the statistics for net income are generally larger than the amounts for "U.S. income subject to tax."

Table 2.—Selected Items, by Selected Countries, 1984–1987  
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Country and item	1984	1985	1986	1987
	(1)	(2)	(3)	(4)
<b>ALL COUNTRIES</b>				
Number of returns, total	37,401	36,677	36,778	44,802
With net income	15,306	15,682	14,348	18,456
Total receipts	459,161,616	513,777,962	542,694,669	686,785,812
Net income (less deficit)	4,528,142	2,978,286	-1,519,339	5,608,265
Net income	15,335,593	14,500,125	12,745,420	19,764,798
U.S. income subject to tax	13,410,975	11,428,043	9,369,719	14,477,187
Total U.S. income tax—				
Before credits	6,049,943	5,152,493	4,069,605	5,675,566
After credits	4,487,752	3,576,147	3,042,942	4,561,221
<b>JAPAN</b>				
Number of returns, total	2,399	2,560	2,689	3,708
With net income	1,543	1,259	1,987	2,911
Total receipts	112,607,206	133,489,744	139,352,209	184,861,431
Net income (less deficit)	1,815,477	1,327,932	638,173	219,190
Net income	2,920,631	2,759,120	2,483,694	2,978,723
U.S. income subject to tax	2,661,977	2,636,369	2,251,142	2,466,468
Total U.S. income tax—				
Before credits	1,224,963	1,198,936	1,011,878	979,174
After credits	1,143,570	1,117,328	947,426	950,979
<b>UNITED KINGDOM</b>				
Number of returns, total	2,680	2,841	2,588	3,801
With net income	1,111	1,308	1,491	2,011
Total receipts	76,884,056	83,340,020	83,822,976	102,992,988
Net income (less deficit)	1,953,078	1,817,698	-667,324	3,356,418
Net income	3,350,336	3,387,943	2,290,519	4,997,255
U.S. income subject to tax	3,161,220	2,712,172	1,638,026	4,056,219
Total U.S. income tax—				
Before credits	1,442,102	1,231,090	735,503	1,569,525
After credits	1,147,539	904,405	587,662	1,412,086
<b>NETHERLANDS</b>				
Number of returns, total	1,501	1,747	1,887	1,940
With net income	346	427	620	1,062
Total receipts	71,623,945	70,471,893	71,654,985	77,164,592
Net income (less deficit)	795,123	138,331	-812,379	453,554
Net income	2,224,894	1,572,586	1,344,007	2,325,465
U.S. income subject to tax	2,026,190	973,518	840,154	1,598,746
Total U.S. income tax—				
Before credits	912,880	440,248	347,136	581,224
After credits	753,038	205,353	244,765	433,520
<b>WEST GERMANY</b>				
Number of returns, total	1,842	2,214	2,662	2,390
With net income	794	1,115	891	1,124
Total receipts	36,442,085	42,945,267	53,361,755	62,779,037
Net income (less deficit)	748,219	356,697	-62,164	141,921
Net income	1,431,746	1,424,585	905,106	1,499,008
U.S. income subject to tax	1,179,722	1,260,191	772,042	1,071,819
Total U.S. income tax—				
Before credits	537,089	567,737	312,872	433,720
After credits	423,054	449,478	200,290	351,323
<b>CANADA</b>				
Number of returns, total	6,389	6,151	6,708	8,264
With net income	2,827	2,387	2,704	3,190
Total receipts	31,633,581	40,459,451	40,354,176	51,548,756
Net income (less deficit)	-701,031	-197,296	-66,314	475,688
Net income	915,513	1,271,083	1,391,782	1,849,257
U.S. income subject to tax	606,425	634,263	841,219	1,152,658
Total U.S. income tax—				
Before credits	258,199	281,377	382,749	457,555
After credits	209,181	200,553	251,738	346,787
<b>FRANCE</b>				
Number of returns, total	2,094	1,683	1,469	1,899
With net income	632	640	675	373
Total receipts	22,250,703	25,673,312	21,942,578	29,794,083
Net income (less deficit)	-19,464	-126,433	-66,588	114,166
Net income	484,536	505,017	548,933	800,838
U.S. income subject to tax	419,413	384,654	441,294	633,265
Total U.S. income tax—				
Before credits	189,098	172,145	194,758	253,688
After credits	164,529	152,700	147,778	210,995
<b>NETHERLANDS ANTILLES</b>				
Number of returns, total	1,300	733	767	1,757
With net income	252	181	120	223
Total receipts	17,646,710	20,767,891	16,891,714	27,255,423
Net income (less deficit)	-384,690	-535,965	-364,901	-376,392
Net income	300,569	411,261	551,431	581,405
U.S. income subject to tax	230,102	262,524	356,074	212,640
Total U.S. income tax—				
Before credits	104,975	124,887	161,875	100,326
After credits	29,441	52,841	87,232	61,624

\* Revised.  
 Notes: This table includes only those foreign countries which had \$25 billion or more of total receipts for 1987. The foreign country data are based on the location of the corporate owner's place of residence, incorporation, organization, creation, or administration.  
 Net income (or deficit) is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. It reflects actual and "constructive" receipts, but excludes interest from State and local Government obligations. Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their taxable income (i.e., the base on which tax was computed), the statistics for net income are generally larger than the amounts for "U.S. income subject to tax."

Section 7

Foreign Corporations With Income Derived From U.S. Sources

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Foreign corporations with income "effectively connected" with a U.S. trade or business are taxed on that income in a manner similar to the tax treatment of a U.S. corporation. The United States also taxes income derived from investments in the United States that is not effectively connected with a U.S. trade or business. This income is usually

taxed at 30 percent. A lower withholding rate may apply if the country of incorporation has a tax treaty with the United States. (See Section 11 of this compendium for additional information about withholding taxes.)

Information for 1984 and 1985 are contained in Section 6 with information pertaining to domestic corporations primarily owned by a foreign entity. Data for 1986 and 1987 are contained in the article and tables listed above.

A foreign corporation with effectively connected income or income from U.S. investment from a U.S. trade or business must file a special corporate tax return, the Form 1120F. The information contained in this section represents Forms 1120F that had income and deduction items effectively connected with U.S. trade or business activities. Some of these returns may also have contained amounts of investment income from U.S. sources. The reader is referred to Section 15 for a copy of this tax form.

\* Form 1120F, U.S. Income Tax Return of a Foreign Corporation, and Instructions (p. 468)

# Foreign Corporations with Income Effectively Connected with a U.S. Business, 1987

By James R. Hobbs\*

For 1987, 10,500 "foreign" corporations (i.e., those incorporated abroad) reported \$61 billion of receipts generated from activities "effectively connected" with a U.S. trade or business. Overall, these companies reported a net deficit of \$162 million from these activities. Only 3,300 of these companies reported a profit, totalling \$2.2 billion. This resulted in \$589 million of tax (referred to as the "Section II" tax in this article), after the reduction of credits and the addition of small amounts of tax from recomputing prior-year investment credits [1].

## FOREIGN OPERATIONS IN THE UNITED STATES

Foreign "persons" can establish business operations in the United States through several forms, including corporations, partnerships, and joint ventures. In regard to corporations, foreigners can either gain control of an existing U.S. company, create a new U.S. company, or operate in the United States as a branch of a foreign company. This article focuses on the latter [2].

There are several factors involved in the decision of a foreign investor to operate in the United States through either a "domestic" or "foreign" corporation [3]. The U.S. tax structure is one of these factors and it is discussed next in this article for foreign corporations operating in the United States.

## U.S. TAXATION

Foreign corporations are those that are incorporated abroad. Thus, they are not created or organized in the United States, or under the laws of the United States or any of its States. These corporations are, however, subject to U.S. income tax on income "effectively connected" with the conduct of a U.S. trade or business, as well as on income from U.S. sources that is not effectively connected. There are two methods of taxation that apply, depending on whether or not the income is considered to be effectively connected with a trade or business in the United States [4].

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Foreign corporations are taxed on income effectively connected with a U.S. trade or business in a manner similar to that used to tax the income of domestic corporations. This tax is referred to as "Section II" tax on Form 1120F, U.S. Income Tax Return of a Foreign Corporation. To determine the taxable income, gross income that is effectively connected with a U.S. trade or business is reduced by allowable deductions to the extent that such deductions are related to this income [5]. The same tax rates, tax methods, and credits used to reduce tax liability are available to both foreign and domestic corporations.

The Tax Reform Act of 1986 changed the regular corporate tax rates, effective July 1, 1987 [6]. For the period before this date, the rates were as follows:

Taxable income	Tax rate
\$25,000 or less	15%
\$25,001 to \$50,000	18%
\$50,001 to \$75,000	30%
\$75,001 to \$100,000	40%
Over \$100,000	46%

If a corporation's taxable income exceeded \$1 million, then the corporation was liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over \$1 million, or (b) \$20,250.

For the period beginning on July 1, 1987 and continuing thereafter, the corporate tax rates were changed to:

Taxable income	Tax rate
\$50,000 or less	15%
\$50,001 to \$75,000	25%
Over \$75,000	34%

If a corporation's taxable income exceeds \$100,000, then the corporation is liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over \$100,000, or (b) \$11,750.

For accounting periods that included July 1, 1987, taxable income was subjected to both the old and new tax rates, with the resulting tax determined based on a proration of the number of days in the accounting period that fell before and after July 1. Because the statistics for 1987 shown in this article represent corporate returns with accounting periods that ended between July 1987 and June 1988 (and, thus, began as early as August 1986 for a 12-month period), the income tax amounts were calculated based on a mix of both the old and revised tax rates.

The 1986 Act also repealed the alternative tax on capital gains beginning July 1, 1987. Previously, companies with net long-term capital gains could elect to use an alternative method of tax computation if it produced a lower amount of tax than under the regular method. Under the alternative method, net long-term capital gains were taxed separately at a rate of 28 percent (34 percent for the period January 1, 1987, to July 1, 1987). The remainder of taxable income was then taxed at the regular rates. Under the 1986 Act, corporate long-term capital gains are taxed as ordinary income; there is no alternative tax computation for capital gains [7].

Credits could be used to reduce the "Section II" tax calculated under either the regular or alternative methods. These credits included, for Tax Year 1987, the foreign tax credit and the general business credit. The Tax Reform Act of 1986 made certain changes to the credits available to corporations. In addition to the regular or alternative tax after credits, a foreign corporation's "Section II" tax could include a tax from recomputing prior-year investment credits.

Fixed or determinable annual or periodic income from U.S. sources, such as interest, dividends, rents, royalties, annuities, and certain gains (such as from the sale or exchange of patents and copyrights) may or may not be effectively connected income [8]. This is determined on the basis of whether the income is from assets used in the conduct of a U.S. trade or business and whether the activities of the U.S. trade or business are a principal factor in producing the income.

A foreign corporation that disposes of U.S. real property interests must treat the gain or loss as effectively connected income, even if the corporation is not otherwise engaged in a U.S. trade or business. In addition, a foreign corporation could elect to treat certain income from U.S. real property as effectively connected income, even if it otherwise would not have been considered to be this type of income. Included were certain gross rents, royalties, and gains. This election permitted the corporation to apply deductions against this gross income. For 1987,

over 60 percent of foreign corporations with U.S. effectively connected income were classified as real estate companies. This is discussed in more detail later in this article.

Certain types of foreign-source income were also considered to be U.S. effectively connected income. For instance, interest received by a foreign bank from sources outside the United States was treated as effectively connected with the conduct of a U.S. trade or business if the bank had an office in the United States to which the income was attributable and if the interest was derived from banking activities in the United States. Because foreign income taxes were imposed on such interest, banks accounted for nearly all of the total foreign tax credit claimed by foreign corporations with U.S. effectively connected income for 1987.

As mentioned previously, foreign corporations were also taxed on U.S.-source income that was not effectively connected with the conduct of a U.S. trade or business. (This tax is referred to as "Section I" tax on Form 1120F.) This income included certain amounts of investment income, such as interest, dividends, rents, royalties, annuities, and gains from the sale or exchange of certain property (including patents, copyrights, timber and coal). Gross income in these categories was taxed at a rate of 30 percent unless the rate had been reduced as the result of a tax treaty between the United States and the foreign company's country of incorporation [9].

Basically, then, a foreign corporation's total U.S. tax was the sum of (1) the tax on income effectively connected with the conduct of a U.S. trade or business ("Section II" tax) and (2) the tax on U.S.-source income that was not effectively connected ("Section I" tax) [10]. It could also include (1) an alternative minimum tax, (2) an environmental tax, (3) a Personal Holding Company tax, and (4) branch profits and branch-level interest taxes. The environmental tax was authorized by the Superfund Amendments and Reauthorization Act of 1986. (The statistics for "Total U.S. Income Tax" shown in this article include all of the above taxes, except for the "Section I" tax, which is shown separately.)

The transfer of profits from a U.S. branch of a foreign corporation back to its main office in a foreign country was generally not subject to U.S. income tax. However, if the foreign corporation later distributed these profits as dividends and 50 percent or more of its gross income (over a 3-year period) was attributable to effectively connected income from its U.S. branch, then a portion of the distribution could become subject to a U.S. withholding tax of 30 percent. In addition, while interest paid by a U.S. branch of a foreign corporation to foreign creditors could

be a tax deduction in calculating effectively connected taxable income, this interest could also be subject to a U.S. withholding tax similar to that described for dividends. These "second-level withholding taxes" could be reduced or eliminated by U.S. income tax treaties with other countries.

The Tax Reform Act of 1986 replaced the "second-level withholding taxes" with "branch profits and branch-level interest taxes," subject to modification or elimination by tax treaties. For tax years beginning after 1986, the U.S. branch of a foreign corporation could be subject to a 30-percent tax on amounts considered to be a "dividend equivalent" and on certain "excess interest" deductions used in calculating effectively connected taxable income. Dividend equivalent is the branch's effectively connected earnings and profits for the year, reduced (or increased) by the amount of increase (or decrease) in the branch's U.S. net equity position during the tax year. Section 884 of the Internal Revenue Code specifies the branch profits and branch-level interest taxes.

Only data for the 10,478 foreign corporations which had income effectively connected with a U.S. trade or business for 1987 are included in this article. Foreign corporations with only U.S.-source investment income (i.e., income not effectively connected with a U.S. trade or business) are therefore excluded.

## GROWTH OF FOREIGN CORPORATIONS

The activity of foreign corporations in the United States has grown at a rapid pace. Total receipts of these corporations from activities effectively connected with a U.S. trade or business grew from \$21 billion for 1983 to \$61 billion for 1987, a 193 percent increase, using current dollars. This growth rate was notably higher than the 34 percent increase for all U.S. corporation income tax returns (see Figure A). It should be noted that total receipts for domestic corporations includes income from both domestic and foreign activities. Generally, it also includes investment-type income, such as interest and dividends not directly connected with a business activity. The amount of U.S. source, business-related income of domestic corporations for 1983 through 1987 was not separately reported on the corporation income tax return and, thus, not available for comparison to the U.S. effectively connected income of foreign corporations.

As a result of the growth rate of foreign corporations with U.S. effectively connected income, their share of the receipts reported on all corporate returns increased from 0.29 percent for 1983 to 0.64 percent for 1987. While

Figure A.— Foreign Corporations with Income Effectively Connected with a U.S. Business Compared with All Corporations, 1983-1987

(All figures are estimates based on samples—money amounts are in millions of dollars)

Year and item	All corporation income tax returns	Returns of foreign corporations with U.S. effectively connected income
<b>1987</b>		
Number of returns	3,612,133	10,478
Total receipts	9,586,721	61,004
Net income (less deficit)	328,224	-162
U.S. income subject to tax	311,841	1,647
Total U.S. income tax after credits <sup>2</sup>	86,969	614
<b>1986</b>		
Number of returns	3,428,515	11,342
Total receipts	8,669,379	43,826
Net income (less deficit)	265,530	-139
U.S. income subject to tax	276,173	1,818
Total U.S. income tax after credits <sup>2</sup>	73,876	564
<b>1985</b>		
Number of returns	3,277,219	11,693
Total receipts	8,398,279	50,909
Net income (less deficit)	240,119	-1,487
U.S. income subject to tax	266,061	1,025
Total U.S. income tax after credits <sup>2</sup>	63,348	382
<b>1984</b>		
Number of returns	3,170,743	10,955
Total receipts	7,800,711	43,656
Net income (less deficit)	232,901	-1,513
U.S. income subject to tax	257,054	902
Total U.S. income tax after credits <sup>2</sup>	63,990	317
<b>1983</b>		
Number of returns	2,999,071	8,001
Total receipts	7,135,494	20,794
Net income (less deficit)	182,314	-1,118
U.S. income subject to tax	219,896	469
Total U.S. income tax after credits <sup>2</sup>	51,479	152

<sup>1</sup> Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.

<sup>2</sup> For foreign corporations, total U.S. income tax includes "Section II" tax, which was based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, environmental tax, alternative minimum tax, and the branch profits and branch-level interest taxes. It excludes "Section I" tax since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States.

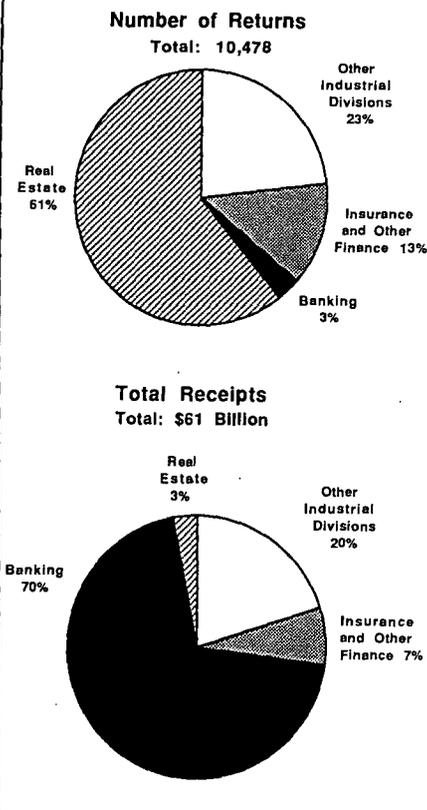
these aggregate percentages are small, foreign corporations accounted for substantially larger portions of receipts for specific industries, particularly banking. This is discussed in the next section of this article.

## INDUSTRY CHARACTERISTICS

As can be seen in Figure B, the finance, insurance and real estate industrial division accounted for most of the business activity in the United States by foreign corporations. In fact, for 1987, this division accounted for 77 percent of the returns filed and 80 percent of the total receipts resulting from trade or business effectively connected with a U.S. activity.

The 6,367 foreign corporations involved in real estate (61 percent of the total) generated only \$1.5 billion (or 3 percent) of total receipts. This was an average of just \$240,000 per company. As a group, foreign real estate companies reported a net deficit of \$332 million for 1987. For every company that reported a profit (i.e., net income for tax purposes), nearly three and one-half others reported losses (see Figure C).

**Figure B**  
Foreign Corporations with Income Effectively Connected with a U.S. Business, by Industry, 1987



Foreign banks in the United States reported receipts of nearly \$43 billion, or 70 percent of the total U.S. effectively connected income. Nearly all (\$37 billion) of this income was interest. Only 286 banks, 3 percent of all the foreign companies, generated these receipts for 1987.

The \$43 billion in receipts resulting from U.S. effectively connected business operations represented 11 percent of the worldwide receipts (\$395 billion) reported on all U.S.

**Figure C.—Foreign Real Estate Companies with Income Effectively Connected with a U.S. Business, 1986 and 1987**

[All figures are estimates based on samples—money amounts are in millions of dollars]

Item	1986	1987
Number of returns, total	7,110	6,367
With net income	2,086	1,862
Total receipts	2,069	1,534
Total deductions	2,409	1,856
Total receipts less total deductions	-340	-322
Net income (less deficit)	-350	-332
Net income	569	238
Deficit	939	570
U.S. income subject to tax	428	124
Total U.S. income tax: <sup>1</sup>		
Before credits	133	47
After credits	131	46
Section II tax	5	1
Section I tax	130	41
Branch profits and branch-level interest taxes	N/A	4

<sup>1</sup> Total U.S. income tax includes "Section II" tax, which was based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, environmental tax, alternative minimum tax, and the branch profits and branch-level interest taxes. It excludes "Section I" tax since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States. "Section I" tax, however, is shown separately. N/A - Not applicable.

corporation income tax returns with banking as their principal business activity. (Refer back to the "U.S. Taxation" section of this article for a discussion of foreign-source interest received by foreign banks which is considered to be U.S. effectively connected income.) The 1987 receipts of foreign banks in the United States represented a 63 percent increase over the \$26 billion reported for 1986.

Figure D compares foreign banks to all banks that filed U.S. income tax returns for 1987. The amount of receipts reported by foreign banks are those effectively connected with a U.S. business, while receipts reported on all U.S. income tax returns of banks represent worldwide activities. Substantially less foreign banks reported profits than did all of the banks, 38 percent compared to 68 percent. However, the 109 profitable foreign banks averaged \$15.5 million of net income, while the 8,309 total profitable banks averaged only \$2.5 million of net income. Reflecting this information, the ratios of total U.S. income tax before credits to total receipts were somewhat similar, 1.3 percent compared to 1.7 percent. After credits, the difference in the ratios of tax to receipts narrowed to 1.1 percent versus 1.3 percent. U.S. banks had substantial amounts of credits, particularly foreign tax credits.

The wholesale and retail trade industrial division was second to finance, insurance and real estate in total receipts, although it accounted for only 12 percent (or \$7.5 billion) of the total receipts of all foreign corporations. The corresponding percentage for the finance, insurance and real estate group was 80. No other industrial division represented more than 2.5 percent of the total (see Table 1).

**Figure D.—Foreign Banks with U.S. Effectively Connected Income Compared with All Banks that Filed U.S. Income Tax Returns, 1987**

[All figures are estimates based on samples—money amounts are in millions of dollars]

Item	All corporation income tax returns	Returns of foreign banks with U.S. effectively connected income
Number of returns, total	12,243	286
With net income	8,309	109
Percentage	67.9%	38.1%
Total receipts	394,678,345	42,828,676
Interest	300,518,674	36,676,217
Total deductions	371,784,728	41,783,357
Interest paid	216,656,309	35,310,938
Net income (less deficit)	14,224,568	1,028,086
Net income	20,377,186	1,693,394
Deficit	6,152,617	665,309
U.S. income subject to tax	16,830,301	1,330,199
Total U.S. income tax before credits <sup>1</sup>	6,765,723	546,353
Regular and alternative tax of Section II tax	6,484,540	533,283
Section I tax <sup>2</sup>	26,871	26,871
Total credits	1,708,449	54,479
Foreign tax credit	1,366,848	52,747
General business credit	341,270	1,732
Total U.S. income tax after credits	5,057,274	491,874
Total U.S. income tax before credits as a percentage of total receipts	1.7%	1.3%
Total U.S. income tax after credits as a percentage of total receipts	1.3%	1.1%

<sup>1</sup> For all returns, total U.S. income tax before credits includes regular and alternative taxes, Personal Holding Company taxes, taxes from recomputing prior year investment credits, environmental taxes, and alternative minimum taxes. For foreign corporations, total U.S. income tax before credits includes "Section II" tax, which is similar to the regular and alternative taxes and is based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, the tax from recomputing prior year investment credit, environmental tax, and the alternative minimum tax. It also includes the branch profits and branch-level interest taxes for foreign corporations. However, it excludes "Section I" tax for these foreign companies since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States.

<sup>2</sup> Only foreign corporations with U.S. effectively connected income could have Section I tax.

## COUNTRY CHARACTERISTICS

Nearly three-fourths of the 10,478 foreign corporations which reported income effectively connected with a U.S. trade or business for 1987 were incorporated in the ten countries shown in Table 2. These 7,592 companies also accounted for 89 percent of the effectively connected receipts of all foreign corporations operating a U.S. trade or business.

Table 2 shows that nine of the ten countries with the largest amount of U.S. effectively connected receipts were the same for 1986 and 1987. The only new country on this list was Belgium, in the tenth position, which replaced the Netherlands. Foreign corporations from Belgium accounted for \$1 billion of receipts from U.S. effectively connected business activities.

The Netherlands Antilles had the largest number of foreign-incorporated U.S. businesses, totalling 4,375, or nearly 42 percent of the total for 1987. However, these corporations accounted for only 4 percent of the effectively connected receipts of all foreign corporations. This coincided with the fact that 3,422 of these corporations were principally involved in real estate activities and produced only \$670 million of receipts (see Table 3). As

previously noted, foreign corporations involved in U.S. real estate activities tended to report relatively small amounts of receipts, as compared to those engaged in other business activities.

Japanese corporations produced the largest amount (\$21.3 billion) of U.S. effectively connected receipts for 1987. This was an increase of nearly 80 percent, up from \$11.9 billion for 1986. The majority of the receipts were produced by banks. In fact, U.S. branches of 33 Japanese banks produced \$20.8 billion of U.S. effectively connected receipts for 1987. These receipts accounted for 98 percent of the receipts of the 394 Japanese-incorporated businesses operating in the United States.

Twenty of these 33 Japanese banks produced \$661 million of taxable (net) income (i.e., "U.S. income subject to tax" in the statistics) as a result of their U.S. effectively connected business activities. (The other 13 banks reported deficits and, as a result, had no taxable income.) This U.S. taxable income resulted in \$254 million of "Section II" U.S. taxes, prior to credits. However, this amount was reduced by \$51 million of foreign tax credits and \$1 million of general business credits. The \$51 million represented over 97 percent of the total foreign tax credits claimed by all foreign corporations with income effectively

connected with a U.S. trade or business. The United States allowed a foreign tax credit against income tax for certain taxes paid or accrued to foreign countries. These taxes were based on the corporation's foreign-source taxable income, certain types of which were considered to be U.S. effectively connected income. (See the section entitled "U.S. Taxation.")

Canadian corporations produced the second largest amount (\$12.6 billion) of U.S. effectively connected receipts for 1987, a 174 percent increase over the 1986 amount of \$4.6 billion. Over 88 percent of these receipts were from companies classified in the finance, insurance and real estate industrial division. Banks and insurance companies accounted for most of these receipts, with \$6.8 and \$4.0 billion, respectively.

### INDUSTRY AND COUNTRY COMBINATIONS

Table 3 shows the 13 industry-country combinations with the largest total receipts for 1987. Each of these combinations had over \$500 million of U.S. effectively connected receipts. As a group, these 13 combinations accounted for 80 percent of the \$61 billion of total receipts of foreign corporations with U.S. effectively connected income.

Nine of the 13 industry-country combinations involve foreign banks, from Japan (\$20.8 billion of receipts), Canada (\$6.8 billion), Italy (\$2.2 billion), West Germany (\$2.0 billion), France (\$2.0 billion), United Kingdom (\$1.9 billion), Switzerland (\$1.2 billion), Belgium (\$1.1 billion), and Australia (\$550 million). Two of the four remaining combinations were "miscellaneous" wholesalers from Switzerland and Bermuda. Miscellaneous wholesale trade included the distribution of the following items:

- Alcoholic beverages
- Apparel, piece goods, and notions
- Chemicals and allied products
- Drugs, drug proprietaries, and druggists' sundries
- Electrical goods
- Farm-product raw materials
- Furniture and home furnishings
- Hardware, plumbing, and heating equipment and supplies
- Lumber and construction materials
- Metals and minerals, except petroleum and scrap
- Motor vehicles and automotive equipment
- Paper and paper products
- Petroleum and petroleum products
- Sporting, recreational, photographic, and hobby goods, toys, and supplies

Other nondurable goods, except groceries and related products  
Other durable goods, except machinery, equipment, and supplies

The two remaining combinations were Canadian insurance companies and real estate companies from the Netherlands Antilles.

### INCOME STATEMENT AND TAX ITEMS

For 1987, the 10,478 foreign corporations reported receipts totalling \$61 billion from activities effectively connected with a trade or business in the United States. Business receipts amounted to \$20 billion, while \$38 billion of the total was interest income.

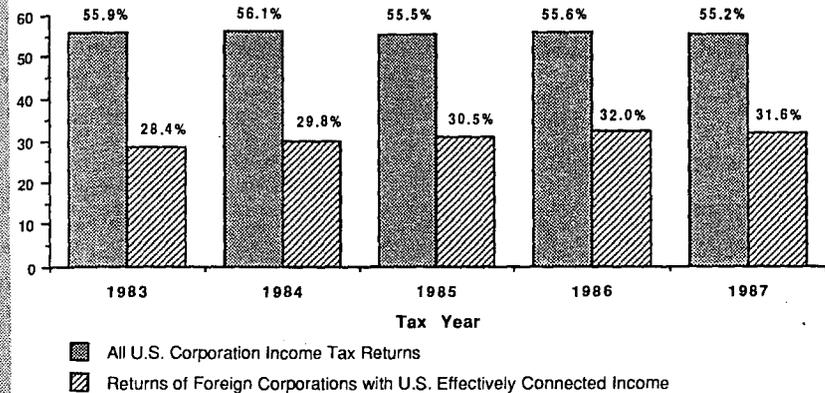
Collectively, foreign corporations claimed \$61 billion in deductions for 1987. Cost of sales and operations was \$12 billion. In conjunction with foreign banks producing large amounts of receipts in the form of interest income, they reported deductions for interest paid totalling \$35 billion. This amount was 96 percent of the \$37 billion of total interest paid by all of the foreign corporations.

Foreign corporations realized an overall net deficit of \$162 million from their effectively connected activities. This was the result of 3,306 corporations having \$2.2 billion of profits and 7,172 companies that were without profits, totalling \$2.4 billion of deficits. (A small number of these 7,172 companies were actually "breakeven" companies with equal amounts of receipts and deductions.) Thus, only 32 percent of the foreign corporations reported profits for 1987, as compared to 55 percent of all corporations filing U.S. tax returns. The percentages for 1986 were very similar to those for 1987, with only 32 percent of the foreign corporations reporting profits, compared to 56 percent for all corporations. See Figure E for a comparison of the percentages of profitable companies for the period 1983 to 1987. As can be seen in this figure, the percentage of profitable foreign corporations increased somewhat over the 5-year period.

For 1987, the profitable foreign corporations had \$1.6 billion of income subject to U.S. tax from their effectively connected activities with a U.S. trade or business. This amount was after net operating loss deductions and special deductions, and resulted in a "Section II" tax of \$645 million before credits. Tax credits of \$56 million reduced this U.S. tax liability, with foreign tax credits of \$53 million accounting for most of the credits. With the addition of small amounts of tax from recomputing prior-year investment credits, "Section II" tax totalled \$589 million. The \$589 million of tax represents less than 1 percent of the

Figure E  
Percentage of Corporation Returns Reporting Net Income, 1983-1987

[All figures are estimates based on samples]



\$61 billion of effectively connected total receipts generated by foreign corporations.

Foreign corporations with effectively connected U.S. trade and business income also incurred \$31 million of income tax on U.S.-source income that was not effectively connected with their U.S. operations (i.e., "Section I" tax), as well as \$9 million of alternative minimum tax, \$12 million of branch profits and branch-level interest taxes, and \$4 million of environmental tax. None of the foreign corporations sampled for 1987 had any Personal Holding Company tax. (While "Section I" tax is shown separately in the statistics, the income on which it was based was not tabulated.)

### SUMMARY

Foreign operations in the United States through corporations continued to grow at a relatively fast rate for 1987. While total receipts reported on all U.S. corporation income tax returns increased from 1986 to 1987 by 11 percent (using current dollars), receipts of foreign corporations with U.S. effectively connected income grew by 40 percent.

Foreign corporations with U.S. effectively connected income were largely involved in finance, insurance and

real estate activities. For 1987, this division alone accounted for 80 percent of the total receipts, with only 286 banks actually generating 70 percent of the \$61 billion of total receipts for all 10,478 foreign corporations.

Tax Year 1987 was not a very profitable year for foreign corporations with income effectively connected with a U.S. trade or business. For 1987, only 32 percent of the foreign corporations reported profits (as computed under the tax code). By comparison, 55 percent of all corporations filing U.S. tax returns reported profits for 1987.

Japanese corporations accounted for \$21 billion of the total \$61 billion of total receipts for all foreign corporations with U.S. effectively connected income. This was the largest amount of any country, with Canadian companies placing second by producing nearly \$13 billion of receipts. The receipts of Japanese and Canadian companies rose dramatically between 1986 and 1987.

### DATA SOURCES AND LIMITATIONS

#### Sample

For foreign corporations with income effectively connected with a U.S. trade or business, the statistics are based primarily on samples of Forms 1120F (Return of a

foreign Corporation). In addition to this form, the statistics include data from Form 1120L (U.S. Life Insurance Company Income Tax Return). Forms 1120L were filed by foreign companies that carried on a life insurance business in the United States. Thus, data for foreign corporations with income effectively connected with a U.S. trade or business could include information from Forms 1120L [11].

Form 1120F samples were stratified based on the size of total assets and the business activity, even though balance sheet information was not actually tabulated from Forms 1120F. The sampling rates specified for these forms were either 20 percent or 100 percent, depending on the size of total assets and the business activity. Forms 1120L were stratified based solely on the size of total assets. The sample rates specified for these forms were either 50 percent or 100 percent, depending on the size of total assets.

Because the data presented in this article are estimates based on samples, they are subject to sampling error. To properly use the data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. For a general discussion of CV's, see the Appendix to this publication. For a more detailed discussion of CV's, see *Statistics of Income - 1987, Corporation Income Tax Returns*.

#### Nonsampling Limitations

Most of the data in this article relate to 1987. However, for each tax year, the estimates cover returns with accounting periods that ended in a 12-month span beginning in July and ending in June. Thus, for Tax Year 1987, the span covered dates ending between July 1987 and June 1988.

As a result of the 12-month span for ending accounting periods, the statistics for each year shown in this article include income received or expenses incurred during a 23-month span. For Tax Year 1987, that span was from August 1986 through June 1988.

Each return used for the studies described in this article was given an industry code during statistical processing. This code was used as a classifier of the returns, as shown in Tables 1 and 3 of the article. (Tables 2 and 3 are classified by geographical area.) The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities. (In general, foreign corporations

could not be members of affiliated groups eligible to be included in consolidated returns.) To the extent that some corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

The income statement data for foreign corporations shown in this article are only for those corporations which had income effectively connected with a U.S. trade or business. U.S.-source investment income (including interest, dividends, rents, royalties, annuities, and other fixed or determinable annual or periodic income) that was not effectively connected with the conduct of a U.S. trade or business is excluded from the data. The tax liability on this U.S. source investment income is, however, shown separately under the heading of "Section I" tax.

#### NOTES AND REFERENCES

- [1] "Section I" tax is based on a foreign corporation's income effectively connected with the conduct of a trade or business in the United States. The term "Section I" refers to the part of Form 1120F which requires information on this income.
- [2] Also see Hobbs, James R., "Domestic Corporations Controlled by Foreign Persons, 1987," *Statistics of Income Bulletin*, Summer 1990, Volume 10, Number 1.
- [3] Sections 7701(a)(4) and (5) of the Internal Revenue Code define a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation is one which is not domestic.
- [4] Section 864(c) of the Internal Revenue Code and the related Internal Revenue Regulations describe tests to be used in determining whether income is effectively connected with a U.S. trade or business.
- [5] Charitable contributions are deductible, subject to a limitation, whether or not they are related to effectively connected income.
- [6] For a complete discussion of this Act, see IRS Publication 921, *Explanation of the Tax Reform Act of 1986 for Business*. This Act is also discussed in *Statistics of Income - Corporation Income Tax Returns*, for 1986 and 1987.
- [7] The Tax Reform Act of 1986 created an alternative minimum tax (AMT). Capital gains of corporations were included in the base of this tax (i.e., the alter-

native minimum taxable income). The AMT became effective for tax years beginning after December 31, 1986.

- [8] While capital gains that were considered to be effectively connected with a U.S. trade or business were taxable income, other U.S.-source capital gains were exempt from the U.S. income tax.
- [9] For a list of tax treaties, see U.S. Department of the Treasury, Internal Revenue Service, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, Publication 515.

[10] Foreign corporations are also subject to a 4 percent tax on one-half of their gross transportation income. This income is derived from the transportation of people or property that begins or ends in the United States, or from leasing or renting vessels or aircraft in such transportation. The tax is included in "Section I" tax.

[11] For 1987, the statistics may also include data from a small number of returns filed on Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return. This form was new for Tax Year 1987.

Table 1.—Selected Income and Tax Items, by Industrial Division, 1986 and 1987

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Year and item	Industrial Division								
	At industrial divisions	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1987									
Number of returns, total	10,478	330	456	94	208	247	433	8,097	507
With net income	3,306	86	150	47	86	125	181	2,512	205
Total receipts	61,004,223	91,794	492,599	195,151	1,549,370	1,371,329	7,464,569	49,020,877	791,265
Business receipts	19,971,381	74,803	417,690	171,700	1,515,167	1,353,202	7,422,960	4,077,740	582,635
Interest <sup>1</sup>	37,934,117	4,192	27,247	7,029	5,232	1,417	10,102	37,860,644	18,184
Total deductions	61,130,044	173,065	548,585	198,264	1,641,720	1,737,577	7,508,374	48,458,891	835,377
Cost of sales and operations	11,728,444	43,703	166,414	164,304	1,289,767	788,703	7,018,759	2,110,670	162,316
Interest paid	36,611,462	13,690	97,520	8,207	37,799	78,228	38,385	36,271,749	63,884
Net income (less deficit)	-161,948	-81,312	-50,904	-3,113	-92,350	-366,248	-43,805	325,911	-44,092
Net income	2,243,914	4,828	27,518	12,688	31,408	15,481	34,487	2,097,908	33,716
U.S. income subject to tax	1,647,056	2,203	1,688	1,361	22,392	13,193	1,589,956	10,282	2,203
Total U.S. income tax <sup>2</sup>	669,637	*642	*1,137	*433	*8,683	*2,166	9,199	643,350	3,953
Section II tax	644,752	*613	*524	*332	*8,316	*2,126	4,719	624,690	3,387
Branch profits and branch-level interest taxes	11,854	*29	—	—	*38	40	—	9,214	*164
Foreign tax credit	52,776	—	—	—	—	—	—	52,776	—
Other credits <sup>3</sup>	3,017	—	—	—	—	—	—	2,521	*12
Section I tax	30,997	—	—	—	*220	—	*478	*30,017	3
Distributions to stockholders except in own stock	107,657	*101	—	—	—	—	492	*1,360	105,000
1986									
Number of returns, total	11,342	309	551	77	204	144	413	8,970	592
With net income	3,631	75	155	25	62	60	160	2,796	252
Total receipts	43,825,980	86,315	318,406	125,979	1,305,108	1,232,267	7,510,200	32,244,709	782,098
Business receipts	15,751,678	67,509	293,971	115,215	1,260,288	1,186,518	7,467,765	4,772,429	577,263
Interest <sup>1</sup>	24,292,785	5,383	2,704	3,479	6,501	*3,719	8,465	24,247,782	14,715
Total deductions	43,739,001	126,960	535,025	153,273	1,384,786	1,462,864	7,552,494	31,712,717	607,187
Cost of sales and operations	11,802,435	23,225	149,867	108,132	1,018,521	835,915	7,014,183	2,393,305	256,576
Interest paid	23,561,904	33,111	108,140	6,690	50,921	50,763	36,746	23,216,551	61,984
Net income (less deficit)	-139,186	-40,654	-218,909	-27,332	-79,678	-230,597	-506,248	25,992	-25,090
Net income	2,492,836	5,673	8,010	*610	61,783	38,112	56,879	2,251,735	54,392
U.S. income subject to tax	1,817,909	*3,627	1,153	*290	50,818	26,065	24,267	1,648,834	45,196
Total U.S. income tax <sup>2</sup>	687,783	*1,307	423	*148	23,081	10,370	10,093	620,392	15,685
Section II tax	680,685	*1,307	221	*55	23,015	10,039	10,051	614,059	15,873
Foreign tax credit	118,341	—	—	—	—	—	49	118,291	*1
Other credits <sup>3</sup>	5,794	*87	*15	—	*184	*70	*75	5,029	334
Section I tax	12,907	—	*7	—	*58	*164	3	10,712	*9
Distributions to stockholders except in own stock	194,903	—	*5,758	—	*5,606	*454	*57,776	119,037	*5,403

<sup>1</sup> Estimate should be used with caution because of the small number of returns on which it is based.<sup>2</sup> Includes "Nature of business not applicable," which is not shown separately.<sup>3</sup> Includes taxable interest received from obligations issued by the U.S. Government, as well as taxable amounts received on loans, notes, mortgages, bank deposits, and corporate bonds.<sup>4</sup> Total U.S. income tax includes "Section II" tax, which was based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, environmental tax, alternative minimum tax, and the branch profits and branch-level interest taxes (for 1987 only). It excludes "Section I" tax since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States. "Section I" tax, however, is shown separately.<sup>5</sup> Includes nonconventional source fuel and general business credits for 1986, and just the general business credit for 1987.<sup>6</sup> Less than \$500 per return.

NOTE: Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.

Table 2.—Selected Income and Tax Items, by Selected Country, 1986 and 1987

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Year and country <sup>1</sup>	Number of returns		Total receipts	Business receipts	Total deductions	Cost of sales and operations	Net income (less deficit)	Net income
	Total	With net income						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1987								
All countries	10,478	3,306	61,004,223	19,971,381	61,130,044	11,728,444	-161,948	2,243,914
Japan	394	121	21,908,574	1,970,319	20,809,626	328,453	491,337	693,180
Canada	1,781	693	12,596,856	7,193,826	12,148,075	2,800,651	452,437	909,012
Switzerland	255	85	5,545,289	4,414,913	5,496,043	4,187,763	49,180	74,955
West Germany	230	127	3,230,388	1,209,094	3,213,583	988,671	7,122	61,178
Netherlands Antilles	4,375	1,186	2,636,847	1,500,968	3,030,625	796,500	-403,409	165,117
Italy	15	(*)	2,202,559	26,607	2,318,968	*5,185	-116,409	808
United Kingdom	398	167	2,190,206	348,979	2,302,556	171,987	-12,419	41,876
France	42	27	1,870,131	78,297	1,954,160	*519	5,940	34,146
Bermuda	100	40	1,328,300	1,191,578	1,308,508	1,164,325	-1,192	28,590
Belgium	*12	*6	*1,078,899	*28,124	*1,047,689	—	*31,210	*32,160
1986								
All countries	11,342	3,631	43,825,980	15,751,678	43,739,001	11,802,435	-139,186	2,492,836
Japan	283	103	11,854,703	671,223	11,102,864	289,769	751,794	853,443
Switzerland	271	91	4,809,878	3,704,304	4,672,352	3,428,957	135,847	289,920
Canada	1,641	661	4,590,725	1,715,466	4,619,331	1,147,891	-29,038	242,919
Netherlands Antilles	5,226	1,389	4,376,141	3,136,829	5,156,602	2,313,831	-794,936	289,458
West Germany	438	137	3,335,852	1,604,029	3,247,001	1,387,829	82,427	112,441
United Kingdom	407	158	2,622,554	909,573	2,624,273	604,884	-2,017	84,804
Italy	25	*3	2,154,544	97,146	2,214,644	*71,003	-60,100	9,666
France	43	*20	1,832,224	98,667	1,932,071	*12,293	-99,848	*5,760
Bermuda	107	62	1,413,057	1,367,659	1,338,930	1,231,080	74,033	91,461
Netherlands	208	69	587,811	54,980	485,264	*24,374	102,547	178,538
1986								
All countries	1,847,058	669,637	644,752	11,654	52,776	3,017	30,997	107,657
Japan	684,691	256,397	255,053	*198	51,353	*691	*13,629	—
Canada	670,621	278,076	277,053	*1,490	—	*218	12,001	42,373
Switzerland	37,410	17,700	13,169	*229	—	8	*278	*253
West Germany	50,981	22,379	22,288	*4	1,366	*183	*1	*47
Netherlands Antilles	71,951	27,179	23,882	2,385	*13	998	829	26,644
Italy	—	3	—	—	—	—	—	—
United Kingdom	23,736	8,946	8,783	*55	—	*503	*90	*8,131
France	—	3,597	*7,032	*300	—	—	—	2
Bermuda	28,185	12,452	12,280	133	—	*5	*22	10,464
Belgium	—	*771	—	—	—	—	—	*3,943
1986								
All countries	1,817,909	687,783	680,685	N/A	118,341	5,794	12,907	194,903
Japan	745,227	302,213	300,968	N/A	111,713	*746	*222	12,408
Switzerland	231,742	70,021	66,314	N/A	—	*11	*613	*23,120
Canada	204,490	87,931	87,576	N/A	*1	285	5,737	55,096
Netherlands Antilles	163,107	50,437	49,741	N/A	*573	929	1,805	27,471
West Germany	69,698	31,193	31,113	N/A	*1,617	*970	(*)	*3,300
United Kingdom	28,091	12,106	12,092	N/A	—	*1,749	—	*6,055
Italy	—	—	—	N/A	—	—	—	—
France	—	*176	*176	N/A	—	*16	—	*28
Bermuda	47,847	21,607	21,601	N/A	*46	*13	—	*118
Netherlands	165,302	49,122	48,472	N/A	—	*25	—	*45,246

<sup>1</sup> Estimate should be used with caution because of the small number of returns on which it is based.<sup>2</sup> Country is based on the location of incorporation of the foreign corporation.<sup>3</sup> Total U.S. income tax includes "Section II" tax, which was based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, environmental tax, alternative minimum tax, and the branch profits and branch-level interest taxes (for 1987 only). It excludes "Section I" tax since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States. "Section I" tax, however, is shown separately.<sup>4</sup> Includes nonconventional source fuel and general business credits for 1986, and just the general business credit for 1987.<sup>5</sup> Estimate not shown to avoid disclosure of information.<sup>6</sup> Less than \$500 per return.

N/A—Not applicable.

NOTE: Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.

## Foreign Corporations with U.S. Operations, 1987

Table 3.—Selected Items, by Selected Industry and Country Combinations, 1987

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industry	Country <sup>1</sup>	Number of returns	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax
		(1)	(2)	(3)	(4)	(5)
<b>All Industries</b>	<b>All countries</b>	<b>10,478</b>	<b>61,004,223</b>	<b>-161,948</b>	<b>2,243,914</b>	<b>1,647,056</b>
Banking	Japan	33	20,847,742	573,829	687,462	660,596
Banking	Canada	18	6,770,740	730,162	771,931	578,994
Miscellaneous wholesale trade	Switzerland	6	4,236,254	—	9,748	1,517
Insurance	Canada	16	3,966,671	-179,679	21,953	20,103
Banking	Italy	10	2,196,362	-114,331	808	—
Banking	West Germany	12	2,035,273	32,357	46,413	45,234
Banking	France	9	1,958,331	2,706	27,097	—
Banking	United Kingdom	20	1,897,266	-9,970	20,832	10,303
Banking	Switzerland	5	1,136,000	8,004	18,671	7,999
Miscellaneous wholesale trade	Bermuda	7	1,103,037	-11,650	660	660
Banking	Belgium	7	1,078,898	31,234	32,180	—
Real estate	Netherlands Antilles	3,422	870,064	-319,783	111,949	48,281
Banking	Australia	5	553,069	10,057	12,731	8,878

Industry	Country <sup>1</sup>	Total U.S. income tax <sup>2</sup>	Section II tax	Branch profits and branch-level interest taxes	Credits <sup>3</sup>	Section I tax <sup>4</sup>
		(6)	(7)	(8)	(9)	(10)
<b>All Industries</b>	<b>All countries</b>	<b>666,637</b>	<b>644,752</b>	<b>11,654</b>	<b>55,793</b>	<b>30,997</b>
Banking	Japan	255,022	253,881	—	52,237	13,172
Banking	Canada	242,048	242,047	—	4	9,474
Miscellaneous wholesale trade	Switzerland	3,408	586	214	8	5
Insurance	Canada	7,543	7,519	—	—	1,437
Banking	Italy	3	—	—	—	—
Banking	West Germany	18,152	18,083	—	1,520	—
Banking	France	820	—	271	—	—
Banking	United Kingdom	4,130	4,044	—	486	—
Banking	Switzerland	4,599	—	—	—	263
Miscellaneous wholesale trade	Bermuda	370	236	133	—	—
Banking	Belgium	771	—	—	—	3,943
Real estate	Netherlands Antilles	17,984	15,828	2,038	733	565
Banking	Australia	2,968	2,941	—	117	—

<sup>1</sup> Estimate should be used with caution because of the small number of returns on which it is based.<sup>2</sup> Country is based on the location of incorporation of the foreign corporation.<sup>3</sup> Total U.S. income tax includes "Section II" tax, which was based on income effectively connected with a U.S. trade or business, as well as the Personal Holding Company tax, environmental tax, alternative minimum tax, and the branch profits and branch-level interest taxes.<sup>4</sup> Includes foreign tax and general business credits.<sup>5</sup> "Section I" tax is excluded from total U.S. income tax since the income from U.S. sources is not effectively connected with the conduct of a trade or business in the United States.

NOTE: Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.

## Section 8

## U.S. Possessions Corporations

## Contents

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"U.S. Possessions Corporation Returns, 1987," p. 339.

Table 1.—Balance Sheets, Income Statements, and Distributions to Stockholders, by Selected Industry, 1987, p. 345.

Table 2.—Tax Benefits, Employment, and Compensation of Employees of U.S. Possessions Corporations, by Selected Industry, 1987, p. 348.

Under Section 936 of the Internal Revenue Code, a domestic corporation can elect to be treated as a U.S. possessions corporation to claim certain tax benefits. To qualify for these benefits, a corporation must receive 80 percent or more of its gross income from sources within a U.S. possession and 75 percent or more of its gross income from the active conduct of trade or business within the U.S. possession.

Corporations that meet the percentage criteria during the applicable period are

allowed a tax credit against their United States income tax liability. The applicable period is the shorter of thirty-six months or the period when the corporation actively conducted business in a possession. The credit is limited to the amount of tax attributable to possessions business income and qualified possessions source investment income. The majority of possessions corporations are located in Puerto Rico and are involved with manufacturing.

The corporations described above differ from companies which are actually incorporated in a U.S. possession. Corporations incorporated in a U.S. possession are regarded as foreign corporations for U.S. tax purposes. They are subject to a withholding tax on certain U.S. source investment income and are subject to taxes on income "effectively connected" with a U.S. trade or business. However, the company incorporated in a U.S. possession is not subject to U.S. tax on foreign source income.

The reader is also referred to Section 15 of this compendium for the forms and instructions related to possessions corporations.

\* Form 1120, U.S. Corporation Income Tax Return, and Instructions (p. 459)

\* Form 5712, Election to be Treated as a Possessions Corporation Under Section 936, and Instructions (p. 512)

\* Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936, and Instructions (p. 520)

\* Schedule P (Form 5735), Allocation of Income and Expenses Under Section 936(h)(5), and Instructions (p. 521)

## U.S. Possessions Corporations, 1985

A possessions corporation may take a credit equal to that portion of its U.S. tax attributable to income related to activity in U.S. possessions. A possessions corporation is a U.S. corporation that meets two requirements. First, eighty percent or more of the corporation's gross income for the applicable period (generally, the three year period immediately preceding the close of the corporation's taxable year) must be from sources within a U.S. possession. Second, sixty-five percent or more of the corporation's gross income must be derived from the active conduct of a trade or business in a possession.

If these requirements are met, the corporation may credit the portion of its U.S. tax attributable to income from the active conduct of a trade or business within a U.S. possession and qualified possession source investment income. Income from the active conduct of a trade or business within a U.S. possession includes income from the sale of substantially all of the assets used in the active conduct of a trade or business within the possession. Qualified possession source investment income is income attributable to investment in a possession of funds derived from the active conduct of a business in the same possession.

For more information about the rules applicable to U.S. possessions corporations, see Bradford, John J., "U.S. Possessions Corporations, 1987," Statistics of Income Bulletin, Summer 1991, Vol. 11, No. 1, pp. 51-60; Hartzok, Jeff, "U.S. Possessions Corporation Returns, 1983," Statistics of Income Bulletin, Spring 1988, Vol. 7, No. 5, pp. 55-64.

Table 1 contains financial data for the 594 possessions corporations that filed a return for 1985. The data are classified by the industry of the possessions corporation. These 594 possessions corporations reported assets of over \$27.7 billion. They had taxable income of over \$5.3 billion and had a pre-credit tax liability of nearly \$2.5 billion. The corporations utilized the possessions tax credit to reduce this liability by over \$2.4 billion to \$22.9 million.

The largest industry group was Chemical and Allied Products, composed largely of drug manufacturing companies. Of the 109

possessions corporations manufacturing chemicals and allied products, seventy-three returns were filed by drug companies. These returns accounted for about twelve percent of the total number of returns filed. However, drug companies claimed possession tax credits of nearly \$1.1 billion, about forty-five percent of the total amount of possession tax credits taken. The second largest industry group was companies manufacturing electrical and electronic equipment. These companies filed 104 returns, or eighteen of the total number of returns filed. They claimed possession tax credits of \$455.8 million, about nineteen percent of the total possessions tax credits claimed.

Table 2 contains data, classified by selected manufacturing industries, showing the tax benefits derived by possessions corporations from the possessions tax credit, employment in Puerto Rico and compensation of Puerto Rican employees of possessions corporations. These data are for the 365 possessions corporations for which Federal unemployment insurance tax returns were available for statistical processing for 1985. These data were weighted to represent those possessions corporations with manufacturing operations in Puerto Rico. (Of the 497 possessions corporations involved in manufacturing, 459 had operations in Puerto Rico.) Gross compensation includes total wages and estimated employer paid non-payroll costs. Compensation per worker is gross compensation divided by the gross number of workers. Benefits per worker measures the tax benefits to possessions corporations from the possessions tax credit and is equal to the reduction in U.S. tax liability divided by the gross number of workers. These amounts are compared to get the ratio of tax benefits per worker over compensation per worker. This ratio gives an indication of the tax benefits that each corporation received for each dollar spent on Puerto Rican labor. For industries in which the ratio is over 100, possessions corporations received tax benefits in excess of the amount that employees were compensated. Overall, the ratio was 134.6 for 1985 (i.e., tax benefits from the possessions tax credit exceeded compensation for Puerto Rican employees by about thirty-five percent). Most industry groups had ratios below 100. However, a few significant industries, particularly certain industries in the Chemicals and Allied Products industry

group, received tax benefits that were greater than compensation provided by the possessions corporations to their Puerto Rican employees.

## U.S. Possessions Corporation Returns, 1985

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry

(Money amounts are in thousands of dollars)

Item	All Industries	Manufacturing							Total
		Construction	Total	Food and kindred products	Textile mill products	Apparel and other textile products	Paper and allied products	Printing and publishing	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns.....	594	9	497	32	6	70	7	7	109
<b>Total assets</b> .....	<b>27,734,768</b>	<b>23,752</b>	<b>20,797,980</b>	<b>2,438,889</b>	<b>12,312</b>	<b>629,389</b>	<b>27,733</b>	<b>44,380</b>	<b>9,407,583</b>
Total assets.....	5,108,697	253	4,709,278	728,114	2,005	152,838	1,882	932	1,782,754
Cash.....	4,954,077	12,943	3,720,731	411,237	4,564	239,499	10,045	3,326	1,490,438
Notes and accounts receivable.....	48,447	30	43,871	8,429	14	8,437	219	63	3,089
Less: allowance for bad debts.....	1,956,399	133	1,821,253	281,531	1,416	107,077	3,480	1,160	537,316
Ending inventories.....	1,019,254	—	780,401	—	—	1,224	5,357	—	506,458
Investment in government obligations.....	1,477,529	2,853	643,018	23,098	471	17,108	3,614	35,041	338,898
Other current assets.....	248,529	—	240,811	41,760	—	13,020	115	—	67,138
Loans to stockholders.....	2,044,813	—	110,151	—	—	1,976	—	—	4,165
Mortgage and real estate loans.....	6,509,450	1,039	5,700,366	552,654	3,431	57,105	—	—	1,496
Other investments.....	5,079,375	12,644	3,607,452	413,563	808	62,769	6,459	5,735	1,552,310
Depreciable assets.....	1,903,302	8,289	1,388,597	152,629	433	35,842	3,223	3,417	511,259
Less: accumulated depreciation.....	872	—	56	—	—	—	—	—	541
Depreciable assets.....	416	—	416	—	—	—	—	—	416
Land.....	130,099	304	89,092	12,297	—	818	209	9	32,507
Land.....	197,008	—	181,295	—	2	547	5	—	137,885
Intangible assets (amortizable).....	129,822	—	128,839	—	2	427	2	—	94,016
Less: accumulated amortization.....	990,552	1,893	749,293	133,492	64	11,774	11	168	289,411
<b>Total liabilities and stockholders' equity</b> .....	<b>27,734,768</b>	<b>23,752</b>	<b>20,797,980</b>	<b>2,438,889</b>	<b>12,312</b>	<b>629,389</b>	<b>27,733</b>	<b>44,380</b>	<b>9,407,583</b>
Accounts payable.....	1,575,011	8,360	1,129,542	303,582	154	67,965	784	3,666	312,870
Mortgages, notes and bonds payable in less than 1 year.....	1,310,579	1,361	277,542	53,708	3	8,470	4,415	—	160,851
Other current liabilities.....	4,379,641	3,631	525,166	71,312	175	19,189	371	7,375	249,798
Loans from stockholders.....	52,191	—	46,982	372	5	508	—	—	33,885
Mortgages, notes and bonds payable in 1 year or more.....	698,306	2,833	343,486	38,512	—	2,713	—	248	249,077
Other liabilities.....	330,974	85	234,731	27,184	14	912	2	—	86,423
Capital stock.....	342,828	134	311,115	38,063	137	9,252	305	602	147,180
Paid-in or capital surplus.....	2,043,810	27	1,122,695	98,470	—	16,525	2,154	1,048	325,238
Retained earnings, appropriated.....	7,042	—	6,993	15	—	743	—	—	—
Retained earnings, unappropriated.....	17,095,381	7,337	16,885,072	1,808,064	11,824	484,859	19,702	31,896	7,911,932
Less: cost of treasury stock.....	30,798	15	94,443	2,414	—	3,306	—	—	69,491
<b>Total receipts</b> .....	<b>16,230,091</b>	<b>52,942</b>	<b>14,444,858</b>	<b>1,877,316</b>	<b>16,302</b>	<b>633,823</b>	<b>29,481</b>	<b>37,545</b>	<b>4,451,887</b>
Business receipts.....	13,178,938	52,192	12,322,456	1,654,928	15,225	606,804	28,707	35,130	3,068,080
Interest, except state and local government obligations.....	1,184,180	379	724,290	86,052	894	20,421	473	2,096	339,675
Interest on state and local government obligations.....	40,439	—	37,246	524	130	1,036	73	115	23,819
Rents.....	411,927	97	4,523	533	—	42	8	—	187
Royalties.....	2,823	—	2,810	—	—	78	—	—	2,711
Net short-term capital gain.....	2,551	—	2,551	—	—	—	—	—	2,551
Net long-term capital gain.....	6,431	164	6,080	1,270	—	29	—	—	1,483
Net gain, noncapital assets.....	10,129	38	1,123	104	2	752	—	—	17
Dividends other than constructive distributions.....	45,018	—	41,123	5,731	—	31	—	—	20,951
Other receipts.....	1,347,845	72	1,302,635	128,174	41	4,630	218	199	992,604
<b>Total deductions</b> .....	<b>10,831,000</b>	<b>54,170</b>	<b>9,241,842</b>	<b>1,368,758</b>	<b>11,823</b>	<b>512,281</b>	<b>23,623</b>	<b>24,072</b>	<b>1,845,056</b>
Cost of sales and operations.....	7,790,816	47,417	7,182,730	1,192,506	9,503	474,253	21,459	16,382	999,625
Compensation of officers.....	24,369	183	10,319	1,998	—	451	—	127	2,403
Salaries and wages.....	402,510	1,066	264,054	29,817	791	7,008	481	2,189	58,212
Repairs.....	140,417	355	39,919	5,810	4	235	18	158	14,470
Bad debts.....	21,450	(7)	4,903	1,624	1	10	23	51	790
Rents paid.....	48,391	89	25,288	1,971	121	1,463	159	331	3,569
Taxes paid.....	215,062	1,016	178,328	16,554	159	8,600	242	675	15,794
Interest paid.....	332,524	444	30,641	6,365	1	539	278	29	13,015
Contributions.....	2,181	2	2,004	340	1	34	1	11	679
Amortization.....	68,482	—	69,297	—	—	101	—	—	1,007
Depreciation.....	281,281	1,538	179,713	21,259	182	2,819	478	541	60,517
Depletion.....	118	—	118	—	—	—	—	—	—
Advertising.....	79,618	10	55,498	25,500	1	66	1	301	20,353
Pension, profit-sharing, stock bonus, and annuity plans.....	22,466	29	13,848	3,053	—	263	34	110	3,786
Employee benefit programs.....	75,492	123	60,289	7,430	394	3,359	16	112	14,786
Net loss, noncapital assets.....	6,164	—	5,787	365	—	33	—	—	1,013
Other deductions.....	1,318,683	1,897	1,118,928	54,053	465	12,962	635	3,035	634,945
<b>Total receipts less total deductions</b> .....	<b>5,399,091</b>	<b>-1,228</b>	<b>5,203,214</b>	<b>508,560</b>	<b>4,680</b>	<b>121,562</b>	<b>5,858</b>	<b>13,474</b>	<b>2,606,832</b>
Net income (less deficit).....	5,358,652	-1,228	5,165,989	508,037	4,550	120,526	5,583	13,358	2,583,213
Net income.....	5,392,443	464	5,186,326	510,516	4,550	123,299	5,583	13,358	2,588,708
Deficit.....	35,791	1,691	20,358	2,479	—	2,773	—	—	5,495
Net income (less deficit) per books.....	5,336,525	-486	5,134,130	505,992	4,702	116,710	5,492	12,608	2,550,749
Income subject to tax.....	5,335,917	464	5,148,184	503,985	4,550	123,122	5,583	13,358	2,570,543
U.S. income tax before credits: total.....	2,454,673	167	2,368,885	231,824	2,073	56,385	2,508	6,155	1,183,939
Regular and alternative tax.....	2,452,743	167	2,366,955	231,824	2,073	56,385	2,508	6,155	1,182,138
U.S. possessions tax credit.....	2,429,397	53	2,345,927	231,170	1,871	53,864	2,470	6,023	1,169,861
Foreign tax credit.....	1,837	—	—	—	—	—	—	—	95
Research activities credit.....	213	—	—	—	—	—	—	—	19
General business credit.....	284	—	247	8	—	163	—	—	13
Other credits.....	—	—	—	—	—	—	—	—	—
Total U.S. income tax after credits.....	22,943	114	21,543	646	202	2,340	38	101	14,001
Reduction in U.S. tax liability.....	2,150,320	180	2,085,196	209,829	1,780	48,770	2,359	5,507	1,042,502
Distributions to stockholders.....	3,311,232	376	3,165,831	198,060	34	86,505	—	3,998	1,499,169

Footnotes at end of table.

## U.S. Possessions Corporation Returns, 1985

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

(Money amounts are in thousands of dollars)

Item	Manufacturing								
	Chemicals and allied products	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastics products	Leather and leather products	Stone, clay and glass products	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Transportation equipment
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Number of returns.....	73	5	12	16	4	32	15	104	5
<b>Total assets</b> .....	<b>8,921,844</b>	<b>878,436</b>	<b>191,430</b>	<b>223,930</b>	<b>35,735</b>	<b>335,025</b>	<b>865,574</b>	<b>3,957,870</b>	<b>61,157</b>
Cash.....	1,717,851	154,389	244,530	42,911	31,970	2,174	53,900	530,228	5,138
Notes and accounts receivable.....	1,337,399	49,911	42,911	57,734	5,452	53,900	73,777	806,958	18,838
Less: allowance for bad debts.....	2,177	39	23	100	15	1,096	1,096	33,276	45
Ending inventories.....	488,874	5,005	15	150	—	—	—	390,498	6,963
Investment in government obligations.....	475,179	135,156	12,445	33,671	3,857	42,341	123,370	192,819	2,306
Other current assets.....	313,005	53,420	401	3,328	137	12,241	2,306	73,562	432
Loans to stockholders.....	38,910	27,045	—	1,719	—	10,266	41	23,932	—
Mortgage and real estate loans.....	4,185	—	—	1,446	—	—	—	102,354	—
Other investments.....	3,229,502	77,152	75,595	85,650	—	64,257	20,466	1,010,931	26,584
Depreciable assets.....	1,449,793	373,147	66,772	14,566	9,886	106,907	114,538	587,510	4,526
Less: accumulated depreciation.....	474,400	196,801	21,526	7,402	6,939	43,881	52,811	255,627	1,789
Depletable assets.....	—	—	—	—	—	—	—	—	—
Less: accumulated depletion.....	—	—	—	—	—	—	—	—	—
Land.....	28,910	48	4,325	141	—	5,422	1,565	23,392	38
Intangible assets (amortizable).....	128,911	22,452	47	3	—	1,134	5	4,245	—
Less: accumulated amortization.....	59,267	17,484	30	—	—	33	2	278	—
Other assets.....	271,419	418	3,394	1,044	21,182	37,292	40,513	110,575	56
<b>Total liabilities and stockholders' equity</b> .....	<b>8,921,844</b>	<b>878,436</b>	<b>191,430</b>	<b>223,930</b>	<b>35,735</b>	<b>335,025</b>	<b>865,574</b>	<b>3,957,870</b>	<b>61,157</b>
Accounts payable.....	275,606	23,548	7,215	20,837	229	38,561	33,452	189,494	1,502
Mortgages, notes and bonds payable in less than 1 year.....	151,311	—	6,313	1,933	796	2,791	19,659	1,148	—
Other current liabilities.....	237,113	8,964	4,284	7,126	573	5,344	25,371	80,142	1,024
Loans from stockholders.....	33,952	6,272	111	—	—	—	—	5,478	—
Mortgages, notes and bonds payable in 1 year or more.....	247,960	—	3,888	266	1,500	4,405	3,178	19,658	—
Other liabilities.....	86,012	527	422	2,202	—	2,786	1,640	107,467	—
Capital stock.....	132,902	34,403	2,410	2,075	160	5,923	1,938	24,324	61
Parish or capital surplus.....	320,990	403,287	18,800	1,637	428	32,220	3,892	139,346	18
Retained earnings, appropriated.....	—	—	—	—	—	—	—	—	—
Retained earnings, unappropriated.....	7,506,378	401,436	148,317	194,529	35,549	253,859	3,385	789,236	57,266
Less: cost of treasury stock.....	69,478	—	135	6,672	3,500	282	—	50	—
<b>Total receipts</b> .....	<b>4,094,212</b>	<b>1,833,027</b>	<b>126,836</b>	<b>226,845</b>	<b>27,877</b>	<b>344,223</b>	<b>732,642</b>	<b>2,759,388</b>	<b>47,339</b>
Business receipts.....	2,778,388	1,806,126	112,449	218,486	25,385	333,992	680,791	2,515,550	46,364
Interest, except state and local government obligations.....	324,755	19,016	5,007	3,312	870	8,842	31,990	138,699	263
Interest on state and local government obligations.....	21,819	2,879	2,816	104	197	162	—	2,772	103
Royalties.....	119	111	—	—	—	—	—	—	—
Net short-term capital gain.....	2,895	—	—	—	—	—	—	—	—
Net long-term capital gain.....	1,285	—	37	1	—	8	—	241	—
Net gain, noncapital assets.....	12	—	(1)	—	5	2	97	45	—
Dividends other than constructive distributions.....	20,887	5,000	—	—	—	—	—	—	—
Other receipts.....	939,892	68	6,527	3,558	1,420	1,217	19,761	99,012	780
<b>Total deductions</b> .....	<b>1,054,828</b>	<b>1,706,650</b>	<b>62,285</b>	<b>185,556</b>	<b>24,897</b>	<b>286,887</b>	<b>598,846</b>	<b>1,764,317</b>	<b>34,725</b>
Cost of sales and operations.....	863,924	1,644,344	65,796	169,447	20,408	259,035	436,676	1,311,311	31,842
Compensation of officers.....	1,931	196	281	855	763	159	62	1,830	58
Salaries and wages.....	51,198	12,576	2,283	2,153	304	4,993	30,383	82,094	923
Repairs.....	14,142	5,622	199	109	8	1,077	2,912	6,594	53
Bad debts.....	396	30	71	36	46	232	334	1,378	28
Rents paid.....	3,007	5,749	10	396	32	1,063	7,289	118	—
Taxes paid.....	13,433	4,137	1,982	3,631	666	7,051	21,890	436	—
Interest paid.....	12,497	526	625	249	557	911	450	4,683	12
Contributions.....	657	3	4	43	3	43	87	107	20
Amortization.....	889	300	(4)	—	—	17	65,221	1,962	—
Depreciation.....	57,979	18,353	1,003	892	947	6,678	12,229	38,302	257
Advertising.....	15,963	1,145	908	77	114	43	114	231	24
Pension, profit-sharing, stock bonus, and annuity plans.....	3,885	285	358	64	45	87	1,930	1,913	111
Employee benefit programs.....	14,332	3,022	410	1,552	97	1,848	17,215	151	—
Net loss, noncapital assets.....	965	227	43	3	—	72	160	—	—
Other deductions.....	599,515	10,143	8,332	5,896	987	8,769	36,956	265,427	610
<b>Total receipts less total deductions</b> .....	<b>2,439,385</b>	<b>126,367</b>	<b>44,551</b>	<b>40,899</b>	<b>3,180</b>	<b>57,338</b>	<b>135,796</b>	<b>995,070</b>	<b>12,613</b>
Net income (less deficit).....	2,415,760	123,688	44,551	39,607	3,180	57,338	135,796	992,298	12,681
Net income.....	2,421,117	123,688	44,551	39,607	3,180	57,338	137,379	996,387	12,681
Deficit.....	5,351	—	—	—	—	981	114	1,563	6,100
Net income (less deficit) per book.....	2,395,964	124,526	43,285	39,687	3,367	51,589	154,062	990,569	12,945
<b>U.S. income tax before credits: total</b> .....	<b>2,403,194</b>	<b>118,688</b>	<b>44,551</b>	<b>39,505</b>	<b>4,061</b>	<b>57,438</b>	<b>137,377</b>	<b>995,747</b>	<b>12,861</b>
Regular and alternative tax.....	1,107,001	54,596	20,476	18,183	1,866	26,359	63,096	458,074	5,823
U.S. possessions tax credit.....	1,105,199	54,596	20,476	18,183	1,866	26,359	63,096	457,945	5,823
Foreign tax credit.....	103,244	54,496	20,467	17,437	1,717	25,732	62,883	456,788	5,822
Research activities credit.....	65	—	—	540	—	—	246	84	—
General business credit.....	13	—	—	—	—	—	—	—	—
Other credits.....	—	—	—	—	—	—	—	—	—
Total U.S. income tax after credits.....	13,679	100	7	204	151	381	213	2,177	1
Reduction in U.S. tax liability.....	973,844	44,878	18,773	16,584	1,579	22,161	55,161	406,996	5,334
Distributions to stockholders.....	1,110,215	125,448	11,164	9,816	32	44,616	111,928	571,944	4,742

Footnotes at end of table.

## U.S. Possessions Corporation Returns, 1985

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

(Money amounts are in thousands of dollars)

Item	Manufacturing	Wholesale and Retail Trade				Finance, insurance, and real estate	Services
	Instruments and related products	Total	Wholesale trade	Retail trade			
	(19)	(20)	(21)	(22)			
Number of returns.....	46	31	23	6	23	29	
<b>Total assets</b> .....	<b>1,214,162</b>	<b>200,464</b>	<b>39,019</b>	<b>157,790</b>	<b>5,640,028</b>	<b>155,358</b>	
Cash.....	259,542	7,424	6,101	862	1,083,641	7,696	
Notes and accounts receivable.....	133,922	20,725	13,440	4,882	1,083,641	48,053	
Less: allowance for bad debts.....	55	493	384	8	790	890	
Ending inventories.....	79,279	40,848	10,990	30,175	36,778	14,315	
Investment in government obligations.....	67,045	1,361	1,361	—	237,479	12	
Other current assets.....	40,029	26,900	3,854	22,904	801,189	2,702	
Loans to stockholders.....	53,139	92	—	—	1,624	—	
Mortgage and real estate loans.....	—	—	—	—	1,934,662	—	
Other investments.....	371,577	39,400	2	39,398	852,262	16,330	
Depreciable assets.....	188,823	83,416	4,024	4,024	79,202	78,662	
Less: accumulated depreciation.....	63,672	35,041	2,293	32,693	3,387	24,602	
Depletable assets.....	—	—	—	—	—	—	
Less: accumulated depletion.....	—	—	—	—	—	—	
Land.....	5,323	7,816	454	7,362	18,084	9,067	
Intangible assets (amortizable).....	20,869	—	—	—	—	9,712	
Less: accumulated amortization.....	16,561	—	—	—	—	3,952	
Other assets.....	75,103	8,017	3,672	4,345	166,738	5,159	
<b>Total liabilities and stockholders' equity</b> .....	<b>1,214,162</b>	<b>200,464</b>	<b>39,019</b>	<b>157,790</b>	<b>5,640,028</b>	<b>155,358</b>	
Accounts payable.....	71,425	45,197	6,737	37,909	329,871	34,816	
Mortgages, notes and bonds payable in less than 1 year.....	3,365	13,169	8,282	4,411	991,291	16,743	
Other current liabilities.....	3,282	6,566	3,076	3,076	3,767,050	1,989	
Loans from stockholders.....	351	101	100	—	4,298	—	
Mortgages, notes and bonds payable in 1 year or more.....	8,217	49,330	140	49,190	196,288	14,284	
Other liabilities.....	4,217	1,454	64	1,389	87,565	2,558	
Capital stock.....	39,146	6,075	1,107	4,894	2,934	2,185	
Parish or capital surplus.....	39,146	11,869	1,102	10,417	38,725	43,388	
Retained earnings, appropriated.....	1,015,311	64,865	18,739	46,914	109,411	25,086	
Retained earnings, unappropriated.....	—	4,261	134	4,127	1,157	920	
Less: cost of treasury stock.....	—	—	—	—	—	—	
<b>Total receipts</b> .....	<b>838,683</b>	<b>600,815</b>	<b>75,649</b>	<b>510,613</b>	<b>530,814</b>	<b>157,052</b>	
Business receipts.....	742,997	598,086	74,338	509,007	36,771	141,638	
Interest, except state and local government obligations.....	54,223	513	—	513	943,816	3,368	
Interest on state and local government obligations.....	4,782	101	101	—	3,953	—	
Rents.....	282	560	204	357	7,032	—	
Royalties.....	12	13	—	—	—	—	
Net short-term capital gain.....	—	—	—	—	153	—	
Net long-term capital gain.....	3,021	18	1				

## U.S. Possessions Corporation Returns, 1985

Table 2.—Returns of Active Manufacturing U.S. Possessions Corporations: Tax Benefits, Employment, and Compensation of Employees, by Selected Industry<sup>1</sup>

(Money amounts are in thousands of dollars, except as noted)

Selected industries	Actual data			Weighted data					
	Number of returns	Reported number of workers	Reported compensation	Number of returns	Gross number of workers	Gross compensation	Compensation per worker (whole dollars)	Benefits per worker (whole dollars)	Benefits per worker over compensation per worker
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All manufacturing industries.....	385	82,438	1,380,462	459	97,728	1,597,995	16,352	22,004	134.6
Food and kindred products.....	23	9,057	146,825	27	9,452	152,957	16,182	21,078	130.3
Textile mill products.....	4	241	2,812	5	293	4,264	10,840	4,525	41.7
Apparel and other textile products.....	53	13,957	146,046	61	18,565	193,970	10,448	2,610	25.1
Men's and boys' clothing.....	11	3,230	36,830	11	3,359	38,292	11,404	3,399	29.6
Women's and children's clothing.....	22	6,754	67,903	29	10,737	108,498	10,104	2,577	25.5
Hats, caps, and other accessories.....	10	1,815	20,376	12	2,311	25,953	11,230	2,026	18.0
All other textile products.....	10	2,159	21,236	10	2,159	21,236	9,835	2,242	22.8
Paper and allied products.....	4	129	1,978	5	145	2,238	15,443	14,607	95.9
Printing and publishing.....	5	258	4,731	6	296	4,731	15,986	15,274	55.5
Chemicals and allied products.....	77	12,396	293,795	102	16,345	389,871	23,485	63,751	271.5
Industrial chemicals, plastics materials, and synthetics.....	10	649	15,705	11	659	15,956	24,209	63,370	281.6
Drugs.....	51	10,948	263,933	68	14,184	341,721	24,093	68,660	286.0
Soap, cleaners, and toilet goods.....	7	437	8,174	10	868	15,026	17,313	15,377	88.8
All other chemical and allied products.....	9	361	5,983	13	534	11,167	17,501	20,589	85.9
Rubber and miscellaneous plastics products.....	10	1,469	22,091	12	1,469	22,091	15,043	12,784	117.0
Leather and leather products.....	12	3,117	34,269	15	3,588	39,408	10,982	4,486	40.8
Footwear, except rubber.....	9	2,961	32,307	12	3,432	37,446	10,912	4,149	38.0
Fabricated metal products.....	26	1,663	28,461	31	1,936	32,931	17,008	11,446	91.8
Metal cans and containers.....	5	260	4,251	9	534	8,720	16,335	14,997	87.3
Cutlery, hand tools, screws, and bolts.....	4	376	5,603	4	376	5,603	14,916	3,602	24.1
All other fabricated metal products.....	17	1,027	18,608	19	1,027	18,608	18,123	12,469	68.8
Machinery, except electrical.....	11	4,902	91,322	14	5,191	95,345	18,396	10,625	57.9
Electrical and electronic equipment.....	79	21,887	355,046	99	25,138	402,466	16,011	19,174	101.0
Radio, television, and communication equipment.....	13	2,945	42,107	19	4,902	69,370	14,151	10,639	75.2
Electronic components.....	36	6,512	108,849	43	7,170	118,574	16,537	15,073	91.1
All other electrical and electronic equipment.....	30	12,431	204,091	37	13,665	214,523	16,419	19,856	114.8
Transportation equipment.....	4	695	9,631	4	695	9,631	13,858	7,475	53.9
Instruments and related products.....	36	8,888	154,089	44	9,876	166,879	17,246	15,061	87.3
Scientific instruments.....	7	1,185	21,745	10	1,615	28,965	17,753	22,424	126.3
All other instruments and related products.....	29	7,722	132,334	34	8,061	138,213	17,145	13,587	79.2
Miscellaneous manufacturing and manufacturing not allocable.....	13	2,284	35,315	20	3,350	51,792	15,459	11,383	73.6

<sup>1</sup> The data contained in this table represent those U.S. possessions corporations for which Federal unemployment tax return data were available for statistical processing for 1985.<sup>2</sup> Gross compensation of employees is computed by multiplying total wages by 1.235. The additional 23.5 percent reflects employer paid non-payroll costs (such as social security payments) and is supplied by the Office of Tax Analysis.<sup>3</sup> To calculate the tax benefit, the qualified possessions source income of each corporation was multiplied by the appropriate corporate tax rate. Credits for taxes paid to possessions governments (such as Puerto Rican income taxes and the "101gato" tax on dividends) were estimated and subtracted from this amount. The resulting figure was the estimated reduction in U.S. tax liability.

## U.S. Possessions Corporation Returns, 1987

By John J. Bradford\*

U.S. corporations are allowed a credit for the full amount of U.S. tax liability on certain income derived from sources in the U.S. possessions. For 1987, approximately \$2.8 billion was claimed as possessions tax credit on U.S. corporate income tax returns. This amount was more than 14 percent greater than the 1985 amount. There were 516 active possessions corporations for 1987, representing a decrease of 13 percent from 1985, the most recent prior year for which statistics were compiled.

The vast majority of possessions corporations conducted business in Puerto Rico. For 1987, nearly 97 percent of all U.S. possessions corporations operated in Puerto Rico and virtually all of the total possessions tax credit was claimed by these companies. Figure A shows the number of corporations reporting business activity in each possession [1].

Figure A  
Possessions Corporations Filing a Form 5735 in Support of Possessions Tax Credit Claimed, 1987

(Money amounts are in thousands of dollars)

U.S. possession	Number of corporations	Possessions tax credit
Total.....	442	\$2,775,463
Puerto Rico.....	428	2,754,054
U.S. Virgin Islands.....	3	2,885
Guam.....	8	5,705
Other.....	3	12,820

As in past years, manufacturing companies claimed the bulk of the credit. These corporations represented 419 of the 516 possessions corporations. For 1987, almost 97 percent of the total possessions tax credit was claimed by manufacturers. Corporations in the chemicals and allied

products industry claimed the largest share, almost 57 percent, though they represented only 18 percent of all possessions corporations.

## BACKGROUND

The main elements of the possessions corporation system of taxation were adopted with the Revenue Act of 1921. These provisions were enacted primarily to help U.S. corporations compete with foreign firms in the Philippines, which was a U.S. possession until 1946. An exemption from taxation on all income derived from sources outside the United States was granted to those corporations which met two gross income tests. First, the corporation had to derive at least 80 percent of its gross income from U.S. possessions. Second, 50 percent or more of the corporation's gross income had to come from the active conduct of trade or business in these possessions. For a corporation to qualify for this exemption, these conditions had to be met on an aggregate basis for the year of the exemption and the previous 2 years.

The Tax Reform Act of 1976 created a new section 936 of the Internal Revenue Code for the possessions corporation system of taxation. The new section significantly modified the previous provisions. Before the changes, a possessions corporation was allowed an exemption from U.S. taxation on all income derived from sources outside the United States. The 1976 Act granted a tax credit only on (1) income from the active conduct of trade or business in a possession and (2) "qualified possessions source investment income (see 'Explanations of Selected Terms')." This new statute was enacted entirely for the benefit of Puerto Rico [2].

The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) significantly altered the manner of determining

\*Foreign Returns Analysis Section. Prepared under the direction of Chris Carson, Chief.

the taxable income of a possessions corporation by adding a new subsection (h) to section 936. This subsection provided that, in general, income of the possessions corporation from "intangibles," such as patents and copyrights, would be taxable to the U.S. shareholders. The purpose was to "lessen the abuse caused by taxpayers claiming tax-free income generated by intangibles developed outside of Puerto Rico [3]." However, the section also allowed for an election out of the general rule if the corporation demonstrated that it had a significant business presence in a possession with respect to a specific product or type of service. To demonstrate a significant business presence, a corporation had to satisfy either a value-added test or a direct labor test [4]. Eligible corporations could choose to allocate income between the possessions corporation and the U.S. parent through either the cost sharing or profit-split method [5].

With the Tax Reform Act of 1986, several modifications were made to the possessions provisions. One of the most important changes increased to 75 percent the required percentage of the corporation's income which had to come from the active conduct of trade or business in the particular possession. Also, the U.S. Virgin Islands was added to the list of eligible U.S. possessions. Congress retained the possessions tax credit provisions despite recommendations from both the Treasury Department and the President that it be replaced with a wage credit. The wage credit would have operated by granting a tax credit for a fixed dollar amount per hour worked by each employee.

Since 1948, Puerto Rico has provided its own tax incentives to companies involved in manufacturing and other business activities. The Government of the Commonwealth grants partial exemptions from income tax and other taxes for specified periods of time. However, in addition to its income tax, Puerto Rico imposes a "tollgate tax" on dividends paid out of Puerto Rican source earnings and profits to a U.S. or foreign parent corporation. Most countries impose similar taxes. This withholding rate ranges from a high of 25 percent to a low of 5 percent [6].

A corporation can elect the status of a possessions corporation by filing a Form 5712, Election to be Treated as a Possessions Corporation under Section 936. The election is valid for 10 years and cannot be revoked. For each year that the election is valid, the corporation must file a Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936, even if no

possessions credit is claimed. In general, the term "possessions corporations" refers to all corporations which made the election and filed a Form 1120.

#### DATA HIGHLIGHTS

For 1987, there were 516 active possessions corporations, a decrease from the 594 corporations for 1985. The reduction in the number of possessions corporations may be a reflection of the uncertainty of the fate of the possessions provisions during the negotiations of the Tax Reform Act of 1986. In addition, mergers and acquisitions may have accounted for some of the difference.

The estimated reduction in U.S. tax liability as a result of the possessions tax credit for 1987 was approximately \$2.4 billion. This amount was less than the total possessions tax credit claimed because possessions corporations could not claim certain other tax benefits which would have otherwise been available to them [7]. As a result of the possessions credit, total U.S. income tax liability of possessions corporations amounted to only \$30.2 million, although these companies generated net income of almost \$7.1 billion. Most of these taxes were attributed to income derived from sources outside of the possessions.

Of the 516 possessions corporations which filed Forms 1120 for 1987, 452 claimed the possessions credit. As for the 64 corporations which claimed no possessions credit for 1987, the bulk of these, 55, had no taxable income. Forty of those corporations reported losses and, therefore, claimed no credit. Although the number of corporations which have claimed the possessions credit has declined over the years, the amount of the credit has increased steadily (Figure B).

Figure B  
Corporations Claiming the Possessions Tax Credit,  
1983-1987

(Money amounts are in billions of dollars)

Year	Number of corporations	Possessions tax credit
1983 .....	553	\$2.0
1985 .....	510	2.4
1987 .....	452	2.8

Table 1 includes balance sheet and income statement data for all active possessions corporations. For 1987, 419 of the 516 possessions corporations reported a

manufacturing business activity. The predominance of manufacturing firms in Puerto Rico reflects the incentives which the Commonwealth has enacted to attract manufacturers. Under Puerto Rico's Industrial Incentive Act, most U.S. corporations which have established manufacturing subsidiaries on the island have been granted exemptions, up to 100 percent, from Puerto Rican taxes. For 1987, all Puerto Rican corporations paid an average of 3.7 percent of their earnings in taxes to the Commonwealth [8].

The industrial classification with the largest number of possessions corporations was chemicals and allied products, with 93 companies or approximately 18 percent of the total. These companies, which are predominantly drug manufacturers, also reported 56 percent of the income subject to tax and claimed 57 percent of the tax benefits claimed by all possessions corporations. This is a reflection of the rapid growth of the chemical industry in Puerto Rico during the 1970's [9]. For 1985, there were 109 possessions corporations in the chemicals and allied products industry and these companies claimed 48 percent of the tax benefits.

For 1987, the second largest industrial classification was electrical and electronic equipment. These 74 companies claimed approximately 16 percent of the total possessions tax credit. Figure C shows the percentages of corporations and possessions tax credit by industry for 1987.

For possessions corporations as a whole, average net income (less deficit) increased more than 51 percent from 1985 to 1987, to almost \$13.7 million. Similarly, average asset size grew almost 38 percent to \$64 million. These increases are reflections of the economic recovery of the mid-1980's which had spread to U.S. possessions. Earlier in the decade, the economic recession had been particularly hard on Puerto Rico. However, from 1985 to 1987, the Gross National Product (GNP) of Puerto Rico grew by more than 14 percent [10]. This compares favorably to the 12.7 percent GNP growth rate for the United States [11].

The largest corporations (as classified by size of assets) claimed the bulk of the possessions tax credit. The largest 20 corporations (less than 4 percent of all possessions corporations) claimed 48 percent of the total credit amount. Furthermore, the largest 50 corporations (ap-

proximately 10 percent of the total) claimed 66 percent of the credit.

#### EMPLOYMENT DATA

The stated objective of the possessions tax credit provisions was to provide jobs to the U.S. possessions by attracting employment-producing investment from U.S. firms. Unemployment has been a chronic problem in Puerto Rico, where the unemployment rate has not fallen below 10 percent since 1950 and has averaged more than twice the rate of the United States [12].

An examination of Federal unemployment insurance tax returns (Forms 940) for possessions corporations involved in manufacturing industries provides an indication of how the provisions have aided the Puerto Rican economy [13]. A total of 100,916 workers were employed by manufacturing possessions corporations for 1987, compared to 122,471 employed by all manufacturing firms in Puerto Rico. The average annual wages for employees of manufacturing possessions corporations amounted to \$17,818. This compares to an average annual wage of \$11,173 for all production workers in the Commonwealth [14].

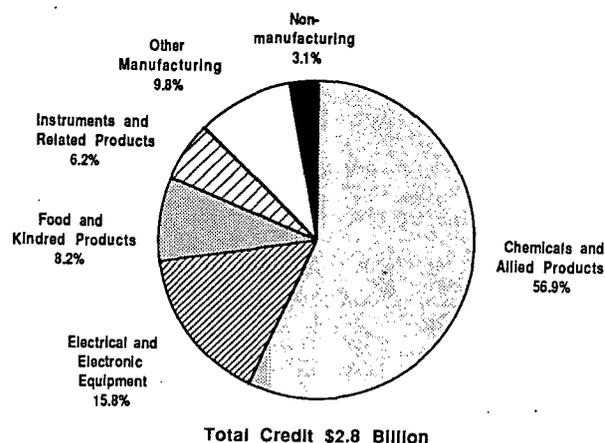
Table 2 presents tax benefit, employment, and compensation information classified by industry for Puerto Rican manufacturing corporations for which Federal unemployment data were available. Chemical companies, particularly drug manufacturers, claimed the highest amount of tax benefits per worker employed. Drug companies received nearly \$71,000 in tax benefits per worker and all chemical companies averaged more than \$65,000. For all possessions corporations, the average tax benefit per employee was \$16,835, about \$1,000 less than the average wage (\$17,818).

#### SUMMARY

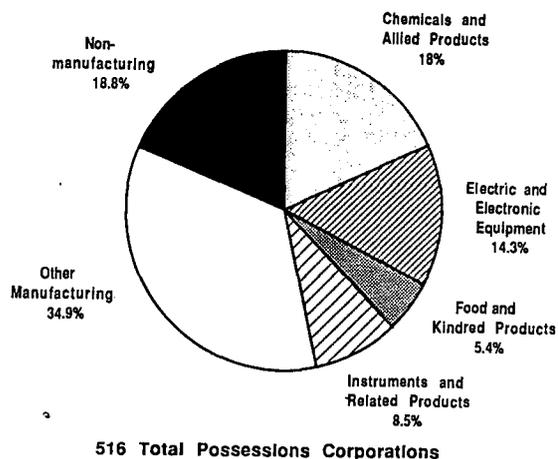
Though the number of corporations claiming the possessions tax credit continued to decline for 1987, the amount of the credit continued to increase. For 1987, U.S. corporations claimed approximately \$2.8 billion as possessions tax credit, resulting in a net reduction of U.S. tax liability of more than \$2.4 billion.

Puerto Rico remained the most common business location for possessions corporations to conduct business, with 97 percent of the total. Nearly 100 percent of the tax credit was claimed by these corporations.

**Figure C**  
**Percentage of Possessions Tax Credit by Industry, 1987**



**Percentage of Possessions Corporations by Industry, 1987**



As in past years, manufacturing companies claimed the bulk of the credit. These corporations represented 419 of the 516 possessions corporations. For 1987, almost 97 percent of the total possessions tax credit was claimed by manufacturers. Corporations in the chemicals and allied products industry claimed the largest share, almost 57 percent, though they represented only 18 percent of possessions corporations.

Possessions corporations employed over 100,000 people for 1987, a 3 percent increase from 1985. The average tax benefit per worker for manufacturing possessions companies amounted to \$16,835.

#### EXPLANATION OF SELECTED TERMS

*Qualified Gross Income in Current Year* -- The sum of gross income (gross receipts minus cost of sales and operations) from the active conduct of a trade or business in the possessions, the net gain (or loss) from the sale or exchange of assets used by a possessions corporation in the active conduct of business, and \*qualified possessions source investment income.\*

*Qualified Possessions Source Investment Income* -- Non-business income derived from the possession in which the possession had its trade or business and which was attributable to the investment of funds derived from such trade or business.

#### DATA SOURCES AND LIMITATIONS

The statistics in this article were compiled from all returns filed through June 1989 by U.S. possessions corporations with accounting periods ending between July 1987 and June 1988. Because 100 percent of the returns filed were prescribed for inclusion in the sample, the statistics are not subject to sampling error. General information regarding nonsampling error may be found in the Appendix to this report.

Information from Forms 1120 for possessions corporations was transferred from the annual Corporation Statistics of Income study. Additional data items from Forms 5712, 5735, and 940 were later obtained.

The statistics in this article may differ slightly from the data presented in the U.S. Department of the Treasury report, *The Operation and Effect of the Possessions Corporation System of Taxation for 1987*. These differences are due to minor revisions made to the underlying data by

the Office of Tax Analysis for estimates made in its report to Congress.

#### NOTES AND REFERENCES

- [1] The estimated reduction in U.S. tax liability was calculated by obtaining the "qualified taxable income" of each possessions corporation. This amount was found on Line 10 of the Form 5735. If the corporation did not file a Form 5735, then the sum of "taxable income" (Line 30, Form 1120) was used as a proxy. From these figures, an approximation of the accelerated depreciation deduction was calculated and subtracted. Once this reduced taxable income was obtained, it was multiplied by the appropriate tax rate. For 1987, an additional consideration had to be made for the change in the corporate tax structure which was effective July 1, 1987. Credits for taxes paid to possessions Governments (such as Puerto Rican income taxes and the "tollgate" tax) were estimated and subtracted from the tax liability since, in the absence of the possessions tax credit, these taxes would be creditable under the foreign tax credit provisions.
- [2] For the purposes of the possessions tax credit provisions, the eligible U.S. possessions include Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, the Northern Marianas, and other smaller U.S. territories.
- [3] Davidson, Ann, "A Credit for All Reasons," *University of Miami Inter-American Law Review*, Fall, 1987, pp. 97-136.
- [4] U.S. Department of the Treasury, *The Operation and Effect of the Possessions Corporation System of Taxation*, Sixth Report, p. 9. Prior to the revisions in 1982, U.S. corporations could development certain technologies, arrange for a transfer of such an "intangible" to a possessions corporation, and the resulting income would be free from U.S. taxation.
- [5] *Ibid.*, p. 9.
- [6] *Ibid.*, p. 10.
- [7] *Ibid.*, p. 12.
- [8] This figure was supplied by the U.S. Department of the Treasury, Office of Tax Analysis.

[9] Davidson, p. 120.

[10] *Economic Report to the Governor*, Puerto Rico Planning Board, 1990. The statistics in this source were based on calendar year 1987 while the Statistics of Income figures were based on corporations with accounting periods ending between July, 1987 and June, 1988.

[11] U.S. Bureau of Economic Analysis, *Survey of Current Business*, July, 1988.

[12] Tax Analysts, *Tax Notes*, Volume 36, number 10, September 7, 1987, p. 945.

[13] Possessions corporations outside of the manufacturing sector were not included in this analysis because they were presumed to pay income taxes to Puerto Rico at a rate at least equal to the effective U. S. corporate rate. In the absence of the possessions provisions, these non-manufacturing companies would be eligible for a foreign tax credit for the amount of these taxes. Therefore, U.S. tax liability would be effectively nullified for these corporations in the absence of the possessions provisions.

[14] U.S. Department of Commerce, Bureau of the Census, *1987 Economic Censuses of Outlying Areas: Puerto Rico*, July, 1990.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry  
(Money amounts are in thousands of dollars)

Item	All industries	Agriculture, forestry and fishing	Manufacturing						Chemicals and allied products
			Total	Food and kindred products	Textile mill products	Apparel and other textile products	Paper and allied products	Printing and publishing	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns.....	516	4	419	28	5	57	7	5	93
<b>Total assets</b> .....	<b>33,183,925</b>	<b>41,337</b>	<b>24,375,852</b>	<b>2,792,280</b>	<b>13,414</b>	<b>570,028</b>	<b>19,301</b>	<b>56,187</b>	<b>11,725,444</b>
Cash.....	5,819,543	182	5,277,238	1,420,954	2,010	29,401	496	2,364	1,863,705
Notes and accounts receivable.....	6,721,648	13,804	4,859,762	360,208	8,828	340,333	7,987	7,707	2,287,069
Less: allowance for bad debts.....	35,912	—	17,505	6,133	83	333	121	61	4,686
Ending inventories.....	1,953,225	12,992	1,811,620	236,581	2,338	86,989	3,038	1,404	568,878
Investment in government obligations.....	1,031,552	—	645,884	291	—	2,558	2,365	—	452,532
Other current assets.....	1,546,763	1,616	1,026,261	72,890	101	19,887	95	35,058	447,766
Loans to stockholders.....	195,596	—	167,862	4,656	—	3,702	—	—	42,319
Mortgage and real estate loans.....	2,912,182	—	105,954	—	—	—	—	—	1,200
Other investments.....	7,702,153	4,997	6,708,361	105,357	—	27,821	—	325	4,421,708
Depreciable assets.....	6,161,297	11,758	4,315,518	432,556	891	84,729	8,335	7,737	2,064,073
Less: accumulated depreciation.....	2,329,662	4,033	1,690,853	153,687	786	43,268	3,517	4,380	729,642
Depreciable assets.....	3,700	—	1,544	—	—	—	—	—	—
Land.....	131,900	—	87,274	12,450	—	692	471	9	44,809
Intangible assets (amortizable).....	295,835	32	238,349	31,025	2	1,532	21	5,919	103,511
Less: accumulated amortization.....	120,053	10	118,156	6,221	4	2	4	—	72,812
Other assets.....	1,192,762	—	907,430	281,100	114	18,107	234	106	233,212
<b>Total liabilities and stockholders equity</b> .....	<b>33,183,925</b>	<b>41,337</b>	<b>24,375,852</b>	<b>2,792,280</b>	<b>13,414</b>	<b>570,028</b>	<b>19,301</b>	<b>56,187</b>	<b>11,725,444</b>
Accounts payable.....	2,382,749	5,116	1,640,383	265,533	266	150,690	980	3,230	750,593
Mortgages, notes and bonds payable in less than 1 year.....	1,799,454	14,340	624,260	95,610	11	24,489	—	—	223,275
Other current liabilities.....	4,980,770	1,548	631,672	71,551	18	17,880	1,242	17,688	159,247
Loans from stockholders.....	75,261	—	51,589	—	—	224	—	171	21,407
Mortgages, notes and bonds pay in 1 year or more.....	432,658	2,643	175,730	43,490	—	6,912	—	194	95,921
Other liabilities.....	917,307	—	299,462	87,623	—	3,914	199	277	132,860
Capital stock.....	433,495	13,051	334,044	21,575	96	13,567	472	691	186,670
Paid-in or capital surplus.....	2,521,808	149	1,356,449	135,094	—	24,127	1,596	1,048	347,349
Retained earnings, appropriated.....	1,334	—	1,126	—	—	122	1	—	—
Retained earnings, unappropriated.....	19,677,072	4,492	19,286,735	2,072,618	12,798	334,054	14,931	33,654	9,808,534
Less: cost of treasury stock.....	37,983	—	25,649	814	—	7,156	290	594	13
<b>Total receipts</b> .....	<b>20,024,448</b>	<b>81,152</b>	<b>17,393,500</b>	<b>2,112,331</b>	<b>11,005</b>	<b>666,127</b>	<b>25,000</b>	<b>35,937</b>	<b>6,811,605</b>
Business receipts <sup>1</sup> .....	16,499,405	80,632	14,540,816	1,864,732	10,880	658,840	24,327	29,678	4,684,305
Interest, except state and local government obligations <sup>1</sup> .....	1,194,280	234	689,974	93,358	—	2,609	101	1,955	351,724
Interest on state and local government obligations <sup>1</sup> .....	41,288	—	39,019	6,432	96	271	185	—	15,424
Rents <sup>1</sup> .....	21,437	—	4,733	867	—	2	—	—	214
Royalties <sup>1</sup> .....	7,075	—	6,777	—	—	—	—	—	6,777
Net short-term capital gain <sup>1</sup> .....	1,545	—	1,544	—	—	—	—	—	1,420
Net long-term capital gain <sup>1</sup> .....	16,451	—	16,110	18	—	182	66	85	13,419
Net gain, noncapital assets <sup>1</sup> .....	16,772	—	2,901	14	( <sup>2</sup> )	94	—	—	924
Dividends other than constructive distributions <sup>1</sup> .....	18,049	—	12,679	31	—	63	—	—	8,585
Other receipts <sup>1</sup> .....	2,208,146	288	2,078,927	146,879	29	4,035	311	4,020	1,528,813
<b>Total deductions</b> .....	<b>12,915,582</b>	<b>76,488</b>	<b>10,530,939</b>	<b>1,525,687</b>	<b>9,823</b>	<b>568,731</b>	<b>20,129</b>	<b>22,787</b>	<b>2,818,199</b>
Cost of sales and operations.....	8,978,529	63,887	7,869,864	1,256,929	8,657	519,457	18,081	12,616	1,466,423
Compensation of officers.....	30,071	—	2,767	—	—	497	30	191	2,171
Salaries and wages.....	430,259	2,079	230,390	40,260	275	10,334	474	2,399	49,998
Repairs.....	168,125	997	46,813	9,193	15	499	18	160	15,549
Bad debts.....	29,705	—	4,014	1,212	43	34	11	66	439
Rents paid.....	53,760	123	27,711	5,328	28	1,492	157	312	3,786
Taxes paid.....	158,068	2,914	109,593	12,495	340	13,576	487	684	19,457
Interest paid.....	306,609	1,102	29,174	8,978	1	2,617	8	110	5,483
Contributions.....	4,902	( <sup>2</sup> )	4,732	473	1	32	1	19	1,823
Amortization.....	14,964	3	9,586	29	—	15	—	594	1,535
Depreciation.....	362,585	1,301	209,951	25,263	62	4,208	346	558	86,312
Depletion.....	1,294	—	1,294	—	—	—	—	—	251
Advertising.....	71,564	6	43,983	28,117	( <sup>2</sup> )	80	1	361	5,924
Pension, profit share, stock bonus and annuity plans.....	20,106	—	12,955	2,567	—	296	4	126	3,887
Employee benefit programs.....	74,084	138	55,298	10,117	31	2,077	49	135	15,035
Net loss, noncapital assets.....	4,357	—	4,305	925	—	11	—	—	1,748
Other deductions.....	2,206,635	3,935	1,860,952	123,772	374	13,461	462	4,235	938,607
<b>Total receipts less total deductions</b> .....	<b>7,108,866</b>	<b>4,666</b>	<b>6,862,561</b>	<b>586,644</b>	<b>1,182</b>	<b>97,396</b>	<b>4,872</b>	<b>13,141</b>	<b>3,993,408</b>
Net income (less deficit).....	7,067,819	4,666	6,823,557	580,212	1,066	97,140	4,687	13,141	3,977,982
Net income (less deficit) per books.....	7,112,940	5,181	6,841,675	581,034	1,088	103,059	4,689	13,141	3,978,391
Deficit.....	45,328	515	18,118	822	—	5,919	2	—	409
Income subject to tax.....	6,795,062	3,090	6,553,259	602,643	1,120	93,502	4,351	11,078	3,761,181
U.S. income tax before credits: total.....	2,819,720	1,917	2,718,274	225,101	403	39,499	1,844	5,218	1,598,489
Regular and alternative tax.....	2,817,059	1,917	2,717,322	228,382	403	39,499	1,844	5,218	1,598,641
U.S. possessions tax credit.....	2,784,931	1,858	2,697,350	227,530	403	39,467	1,844	5,218	1,583,862
Foreign tax credit.....	—	—	—	—	—	—	—	—	—
General business credit.....	4,774	—	525	91	—	—	—	—	228
Reduction in U.S. tax liability.....	—	35	—	—	—	—	—	—	25
Total U.S. income tax after credits.....	30,212	24	22,314	1,568	—	32	—	5	15,438
Reduction in U.S. tax liability.....	2,410,248	1,647	2,328,214	188,968	384	35,099	1,697	3,994	1,376,902
<b>Distributions to stockholders</b> .....	<b>2,938,289</b>	<b>—</b>	<b>2,788,608</b>	<b>398,374</b>	<b>—</b>	<b>14,546</b>	<b>412</b>	<b>18,535</b>	<b>1,418,123</b>

Footnotes at end of table.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

(Money amounts are in thousands of dollars)

Item	Manufacturing								
	Chemicals and allied products	Petroleum (including refined and coal products)	Rubber and miscellaneous plastic products	Leather and leather products	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Transportation equipment	Instruments and related products
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Number of returns.....	62	5	15	15	31	8	74	6	44
<b>Total assets.....</b>	<b>11,048,803</b>	<b>883,304</b>	<b>260,198</b>	<b>230,281</b>	<b>340,649</b>	<b>804,601</b>	<b>4,239,403</b>	<b>78,651</b>	<b>1,800,079</b>
Cash.....	1,789,666	308,181	27,161	26,283	15,314	577,841	674,598	860	1,800,079
Notes and accounts receivable.....	2,105,112	74,113	87,960	47,377	61,345	31,308	1,038,292	22,207	272,539
Less: allowance for bad debts.....	3,977	18	94	56	1,172	3	3,145	16	355,943
Ending inventories.....	592,669	102,235	20,754	36,870	69,404	99,667	375,947	9,187	483
Investment in government obligations.....	442,365	15,000	1,141	49,727	1,775	58,379	775	113,889	483
Other current assets.....	388,069	37,055	605	643	43,664	2,553	240,861	149	39,348
Loans to stockholders.....	42,264	11,230	—	3,161	—	—	22,840	1,250	88,053
Mortgage and real estate loans.....	1,200	—	—	—	—	—	133,861	—	95,949
Other investments.....	4,228,648	166,288	42,328	57,122	48,486	1,681	1,259,531	38,688	444,248
Depreciable assets.....	1,921,951	391,817	108,268	13,947	155,132	121,581	491,732	38,688	444,248
Less: accumulated depreciation.....	675,943	225,870	35,491	5,271	59,690	65,709	239,535	2,514	312,033
Depreciable assets.....	—	—	664	—	—	—	1,579	—	77,286
Less: accumulated depletion.....	—	—	—	—	—	—	796	—	—
Land.....	41,500	288	4,137	95	4,167	1,506	19,438	36	16,352
Intangible assets (amortizable).....	103,425	24,687	6	3	2,420	—	49,735	—	6,807
Less: accumulated amortization.....	72,770	21,729	1	3	141	—	1,031	—	16,087
Other assets.....	228,223	29	2,749	603	33,391	116,014	101	146,124	101
<b>Total liabilities and stockholders' equity.....</b>	<b>11,048,803</b>	<b>883,304</b>	<b>260,198</b>	<b>230,281</b>	<b>340,649</b>	<b>804,601</b>	<b>4,239,403</b>	<b>78,651</b>	<b>1,800,079</b>
Accounts payable.....	1,700,553	25,397	11,193	21,619	45,739	8,693	242,058	1,314	85,015
Mortgages, notes and bonds payable in less than 1 year.....	219,073	2,744	9,258	119	2,615	—	91,805	—	138,706
Other current liabilities.....	145,772	3,708	6,340	3,848	21,223	64,540	120,840	3,445	124,798
Loans from stockholders.....	21,066	11,250	230	—	844	—	15,627	—	908
Mortgages, notes and bonds payable in 1 year or more.....	95,620	—	1,120	52	517	—	15,496	—	10,046
Other liabilities.....	131,687	5	426	788	348	85	21,381	142	37,689
Capital stock.....	162,829	35,156	2,558	13,652	11,113	734	11,502	62	43,574
Paid-in or capital surplus.....	345,056	406,887	24,369	1,248	80,501	3,585	248,642	761	42,470
Retained earnings, appropriated.....	—	—	—	—	—	—	241	—	—
Retained earnings, unappropriated.....	9,217,017	398,126	208,431	199,942	207,969	728,785	3,471,881	72,928	1,320,862
Less: cost of treasury stock.....	—	—	3,728	10,996	21	—	51	—	—
<b>Total receipts.....</b>	<b>5,160,313</b>	<b>1,300,108</b>	<b>205,863</b>	<b>227,117</b>	<b>443,688</b>	<b>3,291,570</b>	<b>65,573</b>	<b>1,133,183</b>	<b>908,671</b>
Business receipts.....	4,330,767	1,280,006	188,326	218,144	434,243	667,528	3,002,682	63,147	908,671
Interest, except state and local government obligations.....	333,879	16,717	4,640	1,861	4,643	36,538	124,790	91	37,986
Interest on state and local government obligations.....	15,396	2,373	—	3,339	—	538	2,604	—	6,820
Rents.....	141	—	3,150	—	182	—	53	—	282
Royalties.....	6,769	—	—	—	—	—	—	—	—
Net short-term capital gain <sup>1</sup> .....	1,420	—	—	—	—	—	143	—	5
Net long-term capital gain <sup>1</sup> .....	9,936	—	770	1,379	—	—	81	—	1
Net gain, noncapital assets <sup>1</sup> .....	883	14	( <sup>2</sup> )	1,272	17	655	673	39	12
Dividends other than constructive distributions <sup>1</sup> .....	1,985	—	—	—	—	—	1,877	—	2,106
Other receipts.....	1,452,738	996	7,068	2,371	4,904	29,100	158,267	—	179,241
<b>Total deductions.....</b>	<b>2,343,679</b>	<b>1,220,225</b>	<b>127,925</b>	<b>186,326</b>	<b>380,779</b>	<b>583,818</b>	<b>2,183,597</b>	<b>45,066</b>	<b>793,302</b>
Cost of sales and operations.....	1,313,463	1,000,994	171,499	337,592	402,865	1,668,694	39,929	409,445	409,445
Compensation of officers.....	174	274	139	128	222	45	2,236	57	1,174
Salaries and wages.....	41,139	12,074	5,038	1,974	8,791	17,148	53,331	774	17,289
Repairs.....	14,821	6,294	2,402	315	2,403	3,942	1,507	269	1,507
Bad debts.....	70	6	225	—	127	—	1,534	17	129
Rents paid.....	2,440	7,740	173	538	729	1,440	5,115	184	1,961
Taxes paid.....	17,275	7,393	3,494	2,083	4,930	6,120	23,780	840	5,750
Interest paid.....	4,607	787	904	326	548	180	2,890	5	4,137
Contributions.....	1,809	4	1,339	29	176	100	481	14	14
Amortization.....	1,495	1,217	1	902	6	—	1,655	—	4,364
Depreciation.....	81,507	17,094	2,860	108	11,268	11,870	30,953	615	11,268
Disposition.....	—	—	—	—	—	—	—	16	—
Advertising.....	215	105	1,433	76	41	685	417	2	334
Pension, profit-sharing, stock bonus and annuity plans.....	3,772	—	36	3	229	2,039	2,036	145	1,323
Employee benefit programs.....	14,377	3,191	1,242	2,517	1,730	331	10,514	867	3,140
Net loss, noncapital assets.....	1,738	—	17	8	—	9	—	—	359
Other deductions.....	883,207	22,689	10,627	5,912	11,594	116,663	354,285	1,330	241,944
<b>Total receipts less total deductions.....</b>	<b>3,776,634</b>	<b>79,881</b>	<b>76,028</b>	<b>40,781</b>	<b>63,209</b>	<b>170,600</b>	<b>1,127,873</b>	<b>18,507</b>	<b>431,801</b>
Net income (less deficit).....	3,761,238	77,508	76,028	37,451	63,209	170,600	1,125,369	18,507	424,981
Net income.....	3,761,821	81,170	76,028	37,451	63,296	170,600	1,132,448	18,507	425,121
Deficit.....	383	3,662	—	87	—	—	7,077	—	140
Net income (less deficit) per books.....	3,557,597	87,358	75,312	38,473	52,005	139,547	1,108,538	18,122	408,536
Income subject to tax.....	3,753,780	81,170	76,028	37,451	61,219	170,862	1,130,244	18,507	423,465
U.S. income tax before credits: total.....	1,914,115	33,090	29,884	14,313	25,588	58,722	440,838	7,667	173,381
Regular and alternative tax.....	1,613,680	32,428	29,884	14,313	25,588	58,722	440,743	7,667	172,876
U.S. possessions tax credit.....	1,498,596	32,279	29,855	13,506	25,519	58,722	440,109	7,631	172,175
Foreign tax credit.....	195	—	—	—	—	—	267	—	21
General business credit.....	25	—	—	—	—	—	—	—	67
Total U.S. income tax after credits.....	15,667	813	45	807	157	807	481	25	1,122
Reduction in U.S. tax liability.....	1,302,121	26,615	24,735	12,170	21,310	48,190	381,313	6,667	151,142
<b>Distributions to stockholders.....</b>	<b>1,382,599</b>	<b>60,302</b>	<b>44,135</b>	<b>9,104</b>	<b>42,320</b>	<b>100,018</b>	<b>406,872</b>	<b>6,500</b>	<b>131,908</b>

Footnotes at end of table.

Table 1.—All Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industry—Continued

(Money amounts are in thousands of dollars)

Item	Wholesale trade	Retail trade	Finance, insurance, and real estate	Services
	(19)	(20)	(21)	(22)
	Number of returns.....	21	4	27
<b>Total assets.....</b>	<b>278,644</b>	<b>195,980</b>	<b>6,819,273</b>	<b>200,971</b>
Cash.....	40,930	16,728	18,174	45,906
Notes and accounts receivable.....	84,064	3,773	1,618,708	3,355
Less: allowance for bad debts.....	2,247	—	7,645	5,028
Ending inventories.....	51,279	33,692	1,742	385,326
Investment in government obligations.....	342	—	481,881	10,027
Other current assets.....	2,171	40,449	—	7,556
Loans to stockholders.....	44	—	2,777,076	—
Mortgage and real estate loans.....	772	6	968,441	18,539
Other investments.....	89,928	126,958	30,333	81,528
Depreciable assets.....	6,621	49,180	3,875	24,006
Less: accumulated depreciation.....	—	—	233	2
Depreciable assets.....	—	—	142	( <sup>1</sup> )
Less: accumulated depletion.....	823	7,131	8,253	16,654
Land.....	4	—	35,495	21,856
Intangible assets (amortizable).....	—	—	—	1,898
Less: accumulated amortization.....	—	—	—	4,854
Other assets.....	17,115	16,405	101,353	200,971
<b>Total liabilities and stockholders' equity.....</b>	<b>278,644</b>	<b>195,980</b>	<b>6,819,273</b>	<b>200,971</b>
Accounts payable.....	56,352	42,667	570,103	16,485
Mortgages, notes and bonds payable in less than 1 year.....	67,879	8,790	1,061,308	13,038
Other current liabilities.....	66,598	20,608	4,174,120	15,918
Loans from stockholders.....	235	—	2,042	2,092
Mortgages, notes and bonds payable in 1 year or more.....	4,122	58,113	4,338	22,343
Other liabilities.....	256	1,262	815,323	650
Capital stock.....	14,775	4,915	68,064	981
Paid-in or capital surplus.....	13,662	10,643	94,402	66,067
Retained earnings, appropriated.....	—	—	208	—
Retained earnings, unappropriated.....	54,879	55,605	216,029	63,759
Less: cost of treasury stock.....	134	7,861	3,700	339
<b>Total receipts.....</b>	<b>586,581</b>	<b>593,105</b>	<b>617,324</b>	<b>182,164</b>
Business receipts.....	573,881	587,482	55,100	112,715
Interest, except state and local government obligations <sup>1</sup> .....	2,259	1,075	494,809	3,426
Interest on state and local government obligations <sup>1</sup> .....	—	—	2,207	—
Rents.....	1,857	3,252	350	11,224
Royalties.....	—	—	298	—
Net short-term capital gain <sup>1</sup> .....	—	—	101	( <sup>1</sup> )
Net long-term capital gain <sup>1</sup> .....	237	—	13,870	3
Net gain, noncapital assets <sup>1</sup> .....	—	—	4,629	—
Dividends other than constructive distributions <sup>1</sup> .....	—	—	45,899	54,798
Other receipts.....	578,367	578,336	551,118	153,181
<b>Total deductions.....</b>	<b>473,631</b>	<b>462,778</b>	<b>67,425</b>	<b>67,425</b>
Cost of sales and operations.....	473,631	462,778	16,529	949
Compensation of officers.....	552	1,678	24,659	16,249
Salaries and wages.....	24,545	30,203	24,659	1,088

## U.S. Possessions Corporation Returns, 1987

Table 2.—Returns of Active Manufacturing U.S. Possessions Corporations: Tax Benefits, Employment, and Compensation of Employees, by Selected Industry<sup>1</sup>

(Money amounts are in thousands of dollars, except as noted)

Selected industries	Actual data			Weighted data					
	Number of returns	Reported number of workers	Reported compensation	Number of returns	Gross number of workers	Gross compensation <sup>2</sup>	Compensation per worker (whole dollars)	Tax benefits per worker (whole dollars) <sup>3</sup>	Tax benefits per worker over compensation per worker
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>All manufacturing industries</b> .....	<b>299</b>	<b>78,253</b>	<b>1,394,188</b>	<b>397</b>	<b>100,916</b>	<b>1,798,127</b>	<b>17,818</b>	<b>16,635</b>	<b>94.5</b>
Food and kindred products.....	17	8,731	147,981	25	10,364	174,072	16,795	17,338	103.2
Textile mill products.....	3	233	4,185	4	255	4,581	17,984	1,215	6.8
Apparel and other textile products.....	42	13,455	146,751	53	17,363	187,131	10,778	2,022	19.8
Men's and boys' clothing.....	8	4,076	47,272	12	4,546	52,727	11,597	2,585	22.3
Women's and children's clothing.....	20	6,383	67,177	24	7,004	73,711	10,524	2,164	14.5
Hats, caps, and other accessories.....	7	1,009	10,353	10	1,987	21,949	11,048	1,302	11.8
All other textile products.....	7	1,987	21,949	7	3,825	38,743	10,128	1,465	69.2
Paper and allied products.....	3	119	2,125	6	135	2,452	18,098	12,522	72.6
Printing and publishing.....	4	235	3,750	4	235	3,750	15,976	11,594	251.7
Chemicals and allied products.....	62	13,351	352,184	89	21,116	546,680	25,890	65,173	166.2
Industrial chemicals, plastics materials, and synthetics.....	6	549	15,556	11	1,012	27,694	27,362	45,476	267.4
Drugs.....	42	11,751	316,298	60	18,384	486,654	26,471	70,788	39.9
Soap, cleaners, and toilet goods.....	9	738	14,376	9	738	14,376	19,493	19,481	60.1
All other chemical and allied products.....	5	314	5,954	9	982	17,957	18,291	14,655	96.4
Petroleum (including integrated) and coal products.....	3	665	25,634	5	716	27,602	38,549	37,170	63.2
Rubber and miscellaneous plastics products.....	9	1,839	29,573	15	2,449	39,119	15,972	10,099	27.9
Leather and leather products.....	12	3,037	32,735	15	4,036	43,600	10,802	3,015	26.0
Footwear, except rubber.....	8	2,784	29,418	11	3,753	40,283	10,734	2,791	51.1
All other leather products.....	4	283	3,317	4	283	3,317	11,714	5,982	20.8
Fabricated metal products.....	22	2,689	44,063	29	3,189	52,130	16,348	5,793	35.4
Metal cans and containers.....	4	1,232	21,577	6	1,559	25,997	16,670	3,463	22.6
Cutlery, hand tools, screws, and bolts.....	4	335	4,094	5	384	4,628	12,048	2,723	55.9
All other fabricated metal products.....	14	1,063	18,391	18	1,245	21,505	17,270	9,658	89.3
Machinery, except electrical.....	5	2,794	69,440	6	2,799	69,582	24,858	17,216	97.6
Electrical and electronic equipment.....	60	19,770	333,493	73	23,180	390,793	16,859	16,450	116.3
Radio, television, and communication equipment.....	11	2,684	41,265	16	3,803	58,696	15,433	17,945	83.5
Electronic components.....	26	5,281	93,325	31	7,181	128,643	17,635	14,739	100.9
All other electrical and electronic equipment.....	23	11,805	198,903	26	12,195	205,453	18,847	16,995	52.3
Transportation equipment.....	4	838	12,390	5	858	12,689	14,795	7,731	105.2
Instruments and related products.....	32	6,473	130,854	43	7,071	143,685	20,319	21,374	203.7
Scientific instruments.....	5	774	19,207	9	1,040	25,728	24,750	50,405	83.7
All other instruments and related products.....	27	5,699	111,647	34	6,032	117,957	19,556	16,370	53.5
Miscellaneous manufacturing and manufacturing not allocable.....	17	2,912	44,005	19	3,115	47,333	15,193	8,125	

<sup>1</sup> The data contained in this table represent those U.S. possessions corporations for which Federal unemployment tax return data were available for statistical processing for 1987.

<sup>2</sup> Gross compensation of employees is computed by multiplying total wages by 1.235. The additional 23.5 percent reflects employer paid non-payroll costs (such as social security payments) and is supported by the Office of Tax Analysis.

<sup>3</sup> To calculate the tax benefits, the qualified possessions source income of each corporation was multiplied by the appropriate corporate tax rate. Credits for taxes paid to possessions governments (such as Puerto Rican income taxes and the "tollgate" tax on dividends) were estimated and subtracted from this amount. The resulting figure was the estimated reduction in U.S. tax liability.

## Section 9 International Boycotts

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1986 Tables:

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Table 3.—Operations in Boycotting Countries and Types of Boycott Requests and Agreements, by Country Requesting the Boycott, 1986, p. 353.

U.S. persons with operations in boycotting countries are required to report separately to the Internal Revenue Service their business operations in those countries, as well as requests and agreements to participate in, or cooperate with, international boycotts (other than boycotts sanctioned by the U.S. Government). The reporting requirement has been effective since 1976. Most boycott requests are made by countries which belong to the League of Arab States. These boycott requests are usually directed against Israel. The requests are related to business or commercial activities, and are categorized into five groups.

Under the Tax Reform Act of 1976, persons who agree to participate in, or cooperate with, unsanctioned international boycotts can be penalized by the loss of certain U.S. tax benefits. These lost benefits include the foreign tax credit (Sections 2 and 8 of this compendium) and the deferral of taxation on the earnings of Controlled Foreign Corporations (Section 3), Foreign Sales Corporations (Section 4) and Interest Charge-Domestic International Sales Corporations (Section 5). Apart from the tax consequences, a person may be subject to a fine imposed by the Department of Commerce under the provisions of the 1979 Export Administration Act.

The basis of the statistics tabulated for the international boycott report studies is Form 5713 and related schedules, listed below. Forms and schedules are reproduced in Section 15 of this compendium. For an explanation of the types of boycott requests contained in Tables 1 and 2, see page 516 of the Forms and Instructions.

\* Form 5713, International Boycott Report, and Instructions (p. 513)

\* Schedule A (Form 5713), Computation of the International Boycott Factor (p. 517)

\* Schedule B (Form 5713), Specifically Attributable Taxes and Income (p. 518).

\* Schedule C (Form 5713), Tax Effect of the International Boycott Provisions (p. 519)

International Boycotts Participation, 1986

Table 1.—Operations in Boycotting Countries and Types of Boycott Requests and Agreements, by Type of Person Filing Boycott Reports and Size of Total Assets of Active Corporations

Type of person and size of total assets of active corporations	Number of returns	Operations in boycotting countries involved in boycotting		Number of persons receiving requests	Requests to participate in or cooperate with an international boycott						Number of persons who agreed to participate
		Israel	Other countries		Number of return occurrences of requests made, by type of request:						
					Total	Type 1	Type 2	Type 3	Type 4	Type 5	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
All persons, total .....	2,104	10,954	824	533	532	412	202	221	154	421	44
All active corporations, total .....	1,900	9,941	815	419	418	298	105	116	58	309	44
Assets zero or not reported .....	119	490	19	13	13	12	6	7	6	10	—
\$1 under \$10,000,000 .....	562	2,454	139	86	86	62	20	36	18	64	9
\$100,000,000 under \$1,000,000,000 .....	379	1,560	77	65	65	48	14	19	8	48	3
\$1,000,000,000 under \$500,000,000 .....	174	719	55	28	28	19	5	4	3	19	—
\$250,000,000 under \$1,000,000,000 .....	114	567	73	29	29	19	5	5	—	18	3
\$500,000,000 under \$1,000,000,000 .....	129	763	39	29	29	22	3	3	—	20	—
\$1,000,000,000 or more .....	423	3,388	413	169	168	116	52	42	22	130	26
Active FSC and IC-DISC corporations (included above) .....	303	1,636	88	48	48	39	13	14	8	38	7
Individuals .....	100	499	—	87	87	81	81	81	80	88	—
All other persons .....	104	514	—	27	27	27	16	24	16	26	—

\* Data deleted to avoid disclosure of information for specific persons.

International Boycotts Participation, 1986

Table 2.—Tax Effects of International Boycott Participation, by Type of Person Filing Boycott Reports  
[Money amounts are in thousands of dollars]

Type of person	Tax benefits prior to boycott reduction								
	Foreign tax credit		Deferred earnings of CFC		IC-DISC deferred income		FSC exempt income		
	Number of returns	Amount before boycott reduction	Number of returns	Earnings before boycott reduction	Number of returns	Income before boycott reduction	Number of returns	Exempt income before boycott reduction	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
All persons, total	2,104	616	20,582,894	450	23,728,079	77	28,280	418	2,148,287
All active corporations	1,900	572	20,576,398	372	23,725,409	77	28,280	-	-
All other persons	204	44	6,496	78	670	-	-	-	-

Type of person	Tax effect of the international boycott provisions							
	Boycott factor method						Denial of foreign trade income exemption of FSC	
	Reduction of foreign tax credit			Denial of foreign trade income exemption of FSC				
Number of returns electing method	Number of returns	Before boycott adjustment	Amount of reduction	Credit after reduction	Number of returns	Foreign sales corporations		
						Exempt foreign trade income before adjustment	Exempt foreign trade income	
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
All persons, total	14	8	470,978	687	470,290	4	35,129	37
All active corporations	14	8	470,978	687	470,290	4	35,129	37
All other persons	-	-	-	-	-	-	-	-

Type of person	Tax effect of the international boycott provisions—continued				
	Boycott factor method—continued				
	Denial of subpart F boycott income deferral				
Number of returns	Controlled foreign corporations		Subpart F		
	Earnings & profits after taxes	Includable income before boycott adjustment	Earnings and profits less includable income	Boycott income	
(18)	(19)	(20)	(21)	(22)	
All persons, total	8	1,084,752	322,512	762,240	1,736
All active corporations	8	1,084,752	322,512	762,240	1,736
All other persons	-	-	-	-	-

Type of person	Tax effect of the international boycott provisions—continued							
	Specifically attributable taxes and income method							
	Number of returns electing method	Reduction in taxes eligible for foreign tax credit		Subpart F boycott income		IC-DISC boycott income		FSC boycott income
Number of returns		Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	
(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
All persons, total	26	14	432	19	2,968	-	5	138
All active corporations	26	14	432	19	2,968	-	5	138
All other persons	-	-	-	-	-	-	-	-

\* Data deleted to avoid disclosure of information for specific persons.

International Boycotts Participation, 1986

Table 3.—Operations in Boycotting Countries and Types of Boycott Requests and Agreements, by Country Requesting the Boycott

Country	Operations in countries boycotting		Number of persons receiving requests	Number and type of requests						Number of persons agreeing to participate	Number and type of agreements total
	Israel	Other countries		Total	Type 1	Type 2	Type 3	Type 4	Type 5		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All countries, total	10,954	824	533	11,246	3,548	2,287	740	517	4,154	44	1,450
Bahrain	952	3	129	498	94	163	9	3	229	13	30
Jordan	590	13	229	1,624	621	233	162	74	534	15	304
Kuwait	814	4	96	601	131	224	15	-	230	20	156
Lebanon	1,211	35	224	1,991	498	409	25	37	1,034	19	228
Lithuania	709	3	43	164	13	88	4	-	59	10	18
Malawi	448	5	68	491	284	27	27	20	133	5	136
Malaysia	845	9	117	624	244	187	72	55	266	18	83
Uganda	586	9	84	414	82	161	14	14	143	10	51
Oman	1,541	12	313	1,957	516	429	248	180	584	17	137
Qatar	575	3	98	503	189	85	50	39	160	13	29
Saudi Arabia	1,122	11	213	1,385	449	239	82	74	541	16	248
Syria	450	-	30	89	29	14	17	12	17	4	4
United Arab Emirates (UAE)	294	-	27	59	22	9	-	-	28	-	-
Yemen (Arab Republic)	-	-	-	-	-	-	-	-	-	-	-
Yemen (People's Democratic Republic)	-	-	-	-	-	-	-	-	-	-	-

\* Data deleted to avoid disclosure of information for specific persons.  
Note: Country amounts do not sum to totals because selected countries are not included.

## Section 10

# Individual Foreign Tax Credit and Foreign Earned Income

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Table 3.--Foreign Earned Income, Housing Exclusion, Foreign Earned Income Exclusion, and Deductions, by Size of Adjusted Gross Income, 1987, p. 367.

The income of U.S. citizens and residents is subject to the U.S. income tax regardless of where the income is earned. The taxpayer may choose among several options to avoid double taxation of foreign source income: the taxpayer may credit foreign income taxes against their U.S. income tax liability or deduct the foreign taxes from gross income. If the credit option is chosen, the taxpayer may credit income taxes paid to a foreign country against their U.S. tax liability. The individual foreign tax credit is limited to the amount of U.S. tax that is imposed on foreign-source income. For 1987, this limitation had to be calculated separately

for each of eight separate types of income. For each income type, the taxpayer could credit the lesser of creditable foreign taxes or the limitation. The foreign tax credit equaled the sum of the credits for each separate income type. As an alternative to the credit, the taxpayer may deduct foreign taxes paid in determining taxable income.

The taxpayer may choose to deduct or exclude foreign income from gross income. If this option is chosen, the taxpayer could deduct excess costs of living in a foreign country from their gross income. As an alternative to this deduction, a taxpayer could elect to take an annual exclusion, of up to \$70,000 of their foreign earned income, from their gross income. In order to qualify for either the deduction or the exclusion, an individual living abroad had to meet either a bona fide residence test or a physical presence test.

Many U.S. citizens living in foreign countries were not entitled to a deduction from, or an exclusion of, foreign earned income. These persons included: (1) civilian U.S. Government employees; (2) members of the U.S. Armed Forces; and (3) residents of Puerto Rico, Guam, the U.S. Virgin Islands, Johnston Island, American Samoa, Midway and Wake Islands. Finally, an individual taxpayer while computing their foreign tax credit, could not use any foreign income excluded from U.S. income taxation, or any foreign taxes paid or accrued on the excluded income. Listed above are tables providing information for foreign earned income and the foreign tax credit claimed by individuals for 1983 or 1987.

The reader is referred to Section 15 of this compendium for the form and instructions listed below, which provided the basis of the individual foreign tax credit data.

\* Form 1040, U.S. Individual Income Tax Return (p. 437)

\* Form 1116, Computation of Foreign Tax Credit, Individuals, and Instructions (p. 441)

\* Form 2555, Deduction from, or Exclusion of, Income Earned Abroad, and Instructions (p. 495)

# Foreign Income And Taxes Reported On U.S. Individual Tax Returns, 1983: An Overview

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During Calendar Year 1984 more than 159,000 taxpayers reported approximately \$7.2 billion of foreign earned income on their U.S. individual income tax returns. More than \$5.7 billion of this income was excluded from domestic taxation under the foreign earned income exclusion provisions of the tax law. Foreign taxes paid on the foreign earned income which was not excluded, as well as on the income from foreign investments reported by these and other U.S. taxpayers, were eligible for a foreign tax credit. For Tax Year 1983, almost 372,000 individual returns reported approximately \$617 million in foreign tax credits.

More detailed information about taxpayers reporting either foreign earned income or a foreign tax credit will be presented in a forthcoming issue of the SOI Bulletin.

## OVERVIEW OF THE FOREIGN EARNED INCOME AND FOREIGN TAX CREDIT PROVISIONS

The Economic Recovery Tax Act of 1981 simplified the foreign earned income provisions of U.S. tax law. Prior to the 1981 Act, U.S. citizens with foreign earned income were allowed a deduction for "excess" foreign living expenses and an exclusion of income earned abroad while living in a hardship area "camp" [1].

For 1983, a qualifying taxpayer who worked abroad and received earned income from foreign sources could elect to exclude up to \$80,000 of such income from U.S. taxation. In general, to have qualified for the foreign earned income exclusion a U.S. citizen working abroad either had to have been a bona fide resident of a foreign country or countries for an uninterrupted period that included a full tax year or had to have lived in a foreign country or countries for at least 330 days out of any 12 consecutive-month period.

Moreover, for those qualifying U.S. citizens living and working abroad there were two additional tax provisions in effect for Tax Year 1983. Where foreign housing expenses were provided by an employer, a taxpayer could elect to exclude from taxation an amount of foreign housing expenses; and for self-employed individuals, a deduction for

foreign housing costs was available.

The United States imposes its income tax on the worldwide income of its citizens and residents without regard to the geographic source of the income. U.S. individual taxpayers who accrue or pay foreign taxes on their foreign-source income are eligible to use those taxes to claim a tax credit (or to itemize them as a deduction) on their U.S. income tax return. In most cases the credit is more advantageous to the taxpayer than a deduction because it results in a dollar-for-dollar reduction of U.S. tax liability.

## INCOME EARNED ABROAD

As shown in Figure A, salaries, wages, allowances and reimbursements accounted for the overwhelming majority (94 percent) of foreign earned income reported by U.S. citizens abroad.

Figure A.—Selected Sources of Foreign Earned Income, 1983

[Amounts in thousands of dollars]

Income sources	Number of returns	Amount
Total	159,194	\$7,185,955
Salaries and wages	153,724	5,293,482
Allowances, reimbursements and expenses paid on employee's behalf	59,227	1,444,919
Noncash income	22,301	165,088
Business/profession (net)	5,694	119,753
Partnership (net)	736	37,005

More than \$5.7 billion of the approximately \$7.2 billion of foreign earned income was excluded from U.S. taxation by 154,429 taxpayers [2]. The average for all returns was \$36,955, about 46 percent of the maximum \$80,000 foreign earned income exclusion. The exclusion was reported on Form 2555, Foreign Earned Income, attached to Form 1040.

## FOREIGN TAX CREDIT

The foreign tax credit is the third largest credit claimed by individual U.S. taxpayers, surpassed only by the investment

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and child care credits. For Tax Year 1983, 371,945 taxpayers claimed foreign tax credits totaling more than \$617 million on Form 1040, U.S. Individual Income Tax Return. However, only 351,789 returns had a supporting Form 1116, Computation of Foreign Tax Credit attached to Form 1040 [3]. Form 1116 was the source of the data on foreign income and taxes. More than \$595 million of foreign tax credit was computed on the Form 1116.

Figure B shows that salaries and wages accounted for more than 78 percent of all foreign-source income reported on Form 1116. However, the type of foreign-source income reported by the most taxpayers was dividend income.

**Figure B.—Returns With Foreign Tax Credit: Selected Sources of Foreign Income Reported on Form 1116, 1983**  
(Amounts in thousands of dollars)

Income source	Number of returns	Amount
Total	350,785	\$4,268,096
Salaries and wages	61,523	3,410,293
Dividends <sup>1</sup>	203,363	564,866
Net gain (less loss) from sales of capital assets	11,132	255,481
Rents and royalties	6,950	84,631
Estates and trusts	7,447	60,603
Business or profession	6,610	355,708
Certain interest <sup>2</sup>	35,693	107,530
Domestic International Sales Corporation dividends	12,250	15,299
All other income (less loss)	70,847	-488,298

<sup>1</sup> Excludes dividends from Domestic International Sales Corporations, shown separately.  
<sup>2</sup> See footnotes 4 under Notes and References.

#### DATA SOURCES AND LIMITATIONS

A general description of the sampling procedures and data limitations applicable to the Statistics of Income (SOI) tabulations is contained in the Appendix to this report. Spe-

cific information applicable to the 1983 returns with foreign earned income or foreign tax credit is presented below.

#### Sample Selection and Criteria

The 1983 estimates in this article are based on a sample of individual income tax returns, Forms 1040, processed by the Internal Revenue Service centers during 1984. Generally, for most taxpayers, those returns filed during a particular calendar year are for the previous tax year. As was the case for the general tax filing population, approximately 98 percent of the "foreign returns" processed during Calendar Year 1984 were for Tax Year 1983. The remaining returns filed were for prior tax years or were noncalendar year returns. Returns for prior years were used in place of 1983 returns filed after December 31, 1984. This was done in the belief that the characteristics of returns due but not yet filed could best be represented by the returns for previous years filed in Calendar Year 1984.

The sample was stratified based on the larger of total income or loss and the size of business plus farm receipts, and the presence or absence of a Form 2555, Foreign Earned Income; a Form 1116, Computation of Foreign Tax Credit; a Schedule C, Profit (or Loss) from a Business or Profession; and a Schedule F, Farm Income and Expenses. The sampling rates for the "foreign returns" ranged from 0.73 percent to 100 percent. Figure C presents the number of returns in the population and in the sample.

Because the data presented in this article are based on a sample of returns filed, they are subject to sampling error. To properly use the statistical data provided, the magnitude of the potential sampling error must be known. Coefficients of variation (CV's) are used to measure the magnitude.

**Figure C.—Number of Form 1040 Returns Filed in 1984 with Form 2555 and/or Form 1116 and Number in Sample**

Description of sample strata	Number of Returns with Form 2555 or 1116	
	Population	Sample
Grand total	524,601	13,038
High income nontaxable returns, total <sup>1</sup>	447	129
Large business returns, total <sup>2</sup>	14,456	855
Other Forms 1040 with Form 2555, total	160,308	7,486
Larger of total income or total loss amount <sup>1</sup> and Size of business plus farm receipts		
Under \$1,000,000	160,257	7,438
\$1,000,000 and over		
Under \$1,000,000	51	48
Under \$1,000,000		
Other Forms 1040 with Form 1116, total	349,390	4,568
Under \$1,000,000	347,078	2,338
\$1,000,000 and over		
Under \$1,000,000	2,312	2,230

<sup>1</sup> Form 1040 returns with adjusted gross income of \$200,000 and over with no income tax after credits and no additional tax for tax preferences.  
<sup>2</sup> Form 1040 returns only with combined Schedule C (business or profession) net profit or loss of \$200,000 and over.

Figure D presents "upper-limit" CV's for frequency estimates for both the foreign earned income and foreign tax credit data. The approximate CV's shown here were computed from a formula based on the sum-of-the-squares method and are intended only as a general indication of the reliability of the data. For a number other than those shown, the corresponding CV's can be estimated by interpolation.

**Figure D.—Coefficients of Variation, 1983**

Approximate coefficient of variation	Estimated number of returns	
	Form 2555	Form 1116
0.02	51,000	340,000
0.05	8,200	54,000
0.10	900	13,600
0.15	500	6,000
0.20	330	3,400
0.40	130	1,510
0.50	60	850

#### NOTES AND REFERENCES

- [1] For further information on the foreign earned income provisions of U.S. tax law prior to 1981, see *Statistics of Income—1976-1979, International Income and Taxes, Foreign Income and Taxes Reported on U.S. Income Tax Returns*.
- [2] The 4,765 return difference between the number of Forms 2555 filed and those claiming the foreign earned income exclusion is primarily attributable to the Calendar Year 1984 filings for Tax Year 1981 and prior years when U.S. tax law did not provide for the exclusion. For

further information about the use of prior year returns in the 1983 statistics, see Sample Selection and Criteria under Data Sources and Limitations.

- [3] The data presented in this article do not reflect any adjustments to the taxpayer's account resulting from IRS audit activities. For those taxpayers who claimed a credit but did not file a Form 1116, an audit by IRS would require taxpayers to provide evidence such as withholding statements or tax payment receipts to support the foreign tax credit claimed.
- [4] A separate foreign tax credit computation for certain interest income was required by section 904 of the Internal Revenue Code. The interest to which this computation applied was defined as all interest income except the following:
  - (1) amounts derived from any transaction which was directly related to the active conduct of a trade or business;
  - (2) amounts derived from the conduct of banking, financing, or a similar business;
  - (3) amounts received from a foreign corporation in which the taxpayer owned at least 10 percent of the voting stock; and
  - (4) amounts received on obligations acquired where it was necessary to dispose of an active foreign trade or business, or of securities in a foreign corporation in which the taxpayer owned 10 percent (or more) of the voting stock.

Individual Foreign Income and Taxes, 1983

Table 1.—All Returns with Form 2555: Number of Returns, Adjusted Gross Income, Income Earned Abroad and Foreign Earned Income Exclusion, and Income Tax

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns			Adjusted gross income		Taxable income	
	Total	Spouse residence	Physical presence	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All returns, total	159,194	99,824	57,987	140,180	2,611,840	96,159	2,120,548
Under \$10,000	95,048	64,112	30,553	78,032	127,473	33,014	55,243
\$10,000 under \$25,000	31,013	15,225	15,363	31,013	507,917	30,161	362,787
\$25,000 under \$50,000	20,155	10,678	9,308	20,155	898,242	20,046	554,508
\$50,000 under \$100,000	9,234	5,580	2,568	9,234	629,349	3,035	538,181
\$100,000 under \$200,000	3,056	2,412	623	3,056	414,285	1,311	361,480
\$200,000 under \$500,000	631	563	87	631	183,379	631	144,140
\$500,000 under \$1,000,000	32	32	—	32	19,998	32	18,389
\$1,000,000 or more	27	22	5	27	51,197	27	44,743
Taxable returns, total	69,656	37,610	31,635	69,656	2,345,290	69,486	1,927,591
Under \$25,000	39,310	19,817	19,246	39,310	525,941	39,161	291,713
\$25,000 under \$50,000	18,527	9,371	9,009	18,527	843,528	18,527	514,311
\$50,000 or more	11,819	8,622	3,110	11,819	1,175,823	11,798	1,021,867
Non-taxable returns, total	89,538	62,214	26,352	70,524	266,550	26,673	192,958
Under \$25,000	86,749	58,720	26,170	67,735	109,449	24,014	86,297
\$25,000 under \$50,000	1,628	1,307	299	1,628	34,717	1,519	40,297
\$50,000 or more	1,161	987	153	1,161	102,386	1,140	86,284

Size of adjusted gross income	U.S. income tax before credits		Foreign tax credit		Foreign earned income	
	Number of returns	Amount	Number of returns	Amount	Total	Salaries and wages
	(8)	(9)	(10)	(11)	(12)	(13)
All returns, total	79,422	533,229	28,302	201,409	7,185,955	153,724
Under \$10,000	14,306	4,750	2,292	456	3,348,823	91,627
\$10,000 under \$25,000	29,195	41,211	7,103	8,912	26,648	30,288
\$25,000 under \$50,000	20,003	100,392	2,000	1,121,717	836,775	19,575
\$50,000 under \$100,000	9,191	153,806	6,747	60,362	336,775	8,607
\$100,000 under \$200,000	3,035	138,460	2,880	70,656	450,675	503,250
\$200,000 under \$500,000	631	83,306	542	32,275	149,739	253,793
\$500,000 under \$1,000,000	32	8,701	30	1,853	22,142	30
\$1,000,000 or more	27	22,003	21	2,268	10,440	25
Taxable returns, total	69,635	493,437	22,090	162,074	3,647,404	67,416
Under \$25,000	39,310	41,935	5,712	3,642	1,378,712	38,259
\$25,000 under \$50,000	18,527	93,013	7,476	19,378	973,136	11,991
\$50,000 or more	11,798	358,488	8,902	139,054	1,295,556	11,166
Non-taxable returns, total	6,787	39,792	6,212	39,335	3,538,550	86,308
Under \$25,000	4,193	4,028	3,883	3,727	3,215,754	83,654
\$25,000 under \$50,000	1,478	7,379	1,411	7,270	146,581	1,584
\$50,000 or more	1,116	28,387	1,118	28,338	174,215	1,070

Size of adjusted gross income	Foreign earned income exclusion		Foreign housing exclusion		Foreign housing deduction	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(15)	(16)	(17)	(18)	(19)	(20)
All returns, total	154,429	5,707,052	27,788	314,787	1,100	13,385
Under \$10,000	93,438	3,148,863	9,462	98,807	452	4,109
\$10,000 under \$25,000	29,888	1,058,738	5,048	49,103	129	1,407
\$25,000 under \$50,000	18,975	601,784	6,458	73,843	183	13,574
\$50,000 under \$100,000	8,491	459,480	4,709	55,799	129	1,609
\$100,000 under \$200,000	2,972	194,928	1,878	25,438	149	2,312
\$200,000 under \$500,000	607	37,961	398	11,279	45	321
\$500,000 under \$1,000,000	32	2,595	26	1,100	14	114
\$1,000,000 or more	28	1,905	7	113	—	39
Taxable returns, total	66,651	2,550,655	16,978	193,061	579	8,124
Under \$25,000	36,143	1,222,105	5,209	47,602	107	1,878
\$25,000 under \$50,000	17,497	710,039	5,688	61,971	107	2,942
\$50,000 or more	11,011	618,512	6,083	83,398	301	3,403
Non-taxable returns, total	87,778	3,156,397	10,808	121,707	521	5,262
Under \$25,000	85,183	2,986,295	9,301	100,217	474	3,637
\$25,000 under \$50,000	1,478	91,748	772	11,873	22	732
\$50,000 or more	1,117	78,356	735	9,617	25	893

\* Figures should be used with caution because of the small number of sample returns on which it is based.  
 \*\* Data compiled to avoid disclosure of information for specific taxpayers.  
 NOTE: Data may not add to totals because of rounding.

Individual Foreign Income and Taxes, 1983

Table 2.—All Returns with Foreign Tax Credit: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes and Credit by Size of Adjusted Gross Income

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns	Adjusted gross income	Itemized deductions	Taxable income	U.S. income tax before credits	Foreign tax credit claimed	U.S. income tax after credits							
								(1)	(2)	(3)	(4)	(5)	(6)	(7)
								All returns, total	371,945	30,233,571	6,510,794	23,522,952	8,217,289	617,156
Under \$10,000	26,073	178,075	17,977	138,744	10,282	4,046	5,893							
\$10,000 under \$25,000	77,938	1,378,068	231,840	1,058,062	135,778	31,921	99,904							
\$25,000 under \$50,000	120,756	4,350,792	814,937	3,478,928	647,892	92,791	544,917							
\$50,000 under \$100,000	67,517	6,085,557	4,822,714	1,310,791	154,974	1,330,260	1,154,223							
\$100,000 under \$200,000	35,446	4,876,443	1,095,805	3,772,870	1,245,024	150,703	1,599,325							
\$200,000 under \$500,000	18,068	5,316,458	1,233,353	4,082,762	1,772,161	13,174	824,109							
\$500,000 under \$1,000,000	4,061	2,750,082	696,424	2,052,600	964,448	51,756	1,925,714							
\$1,000,000 or more	2,086	5,300,117	1,181,632	4,118,253	2,030,316	—	—							
Taxable returns, total	342,474	29,453,469	6,390,297	22,922,870	8,085,737	492,951	7,384,345							
Under \$25,000	85,506	1,304,121	216,527	1,018,413	182,704	18,628	105,787							
\$25,000 under \$50,000	112,560	4,081,847	787,591	3,273,990	613,106	59,079	544,917							
\$50,000 or more	144,408	24,067,701	5,406,179	18,632,467	7,349,927	415,243	6,733,631							
Non-taxable returns, total	29,471	780,102	120,497	600,062	127,532	124,215	—							
Under \$25,000	15,444	181,548	22,060	130,113	12,525	11,048	—							
\$25,000 under \$50,000	11,257	337,620	58,578	253,216	41,596	40,004	—							
\$50,000 or more	2,770	260,934	39,861	216,752	73,411	73,165	—							

Size of adjusted gross income	Total U.S. income tax	Number of returns	Adjusted gross income	Salaries and wages	Domestic and foreign dividends in AGI	Business and profession net profit (less loss)	Sales of capital assets net gain (less loss)							
								(8)	(9)	(10)	(11)	(12)	(13)	(14)
								All returns, total	7,612,248	351,789	28,860,188	13,835,555	5,378,436	1,181,855
Under \$10,000	1,018,087	23,808	1,018,087	149,791	33,247	4,288	4,600							
\$10,000 under \$25,000	5,893	30,288	1,112,922	198,725	45,882	39,223	183,358							
\$25,000 under \$50,000	100,444	73,784	4,079,492	2,914,444	570,585	139,342	400,828							
\$50,000 under \$100,000	55,461	113,605	5,822,024	3,715,158	930,573	251,117	440,633							
\$100,000 under \$200,000	1,180,830	83,612	6,471,989	2,570,550	806,787	245,747	866,484							
\$200,000 under \$500,000	1,200,986	34,047	1,659,248	515,025	2,045,700	77,352	548,785							
\$500,000 under \$1,000,000	95,125	3,762	1,978,342	520,568	1,074,234	213,795	1,627,752							
\$1,000,000 or more	1,978,342	2,013	5,101,974	798,983	—	—	—							
Taxable returns, total	7,612,248	323,501	28,097,343	12,791,875	5,333,727	1,181,438	4,091,682							
Under \$25,000	1,018,087	79,821	1,230,659	875,971	213,312	45,133	37,841							
\$25,000 under \$50,000	553,401	105,548	3,813,794	2,576,415	553,319	131,170	182,161							
\$50,000 or more	8,042,510	138,134	23,052,889	9,343,481	4,567,096	985,134	3,871,673							
Non-taxable returns, total	—	28,288	762,845	283,662	18,688	2,271	5,820							
Under \$25,000	—	14,558	171,051	48,050	19,040	12,937	1,551							
\$25,000 under \$50,000	—	10,962	330,860	80,462	8,902	7,009	10,810							
\$50,000 or more	—	2,770	260,934	313,969	—	—	—							

Size of adjusted gross income	Rate and royalty net income (less loss)	Itemized deductions	U.S. income tax before credits	Foreign tax credit claimed	U.S. income tax after credits	Total U.S. income tax							
							(15)	(16)	(17)	(18)	(19)	(20)	(21)
							All returns, total	541,502	6,241,284	22,427,908	7,850,110	604,868	7,044,856
Under \$10,000	5,071	15,466	125,339	9,330	3,794	5,229							
\$10,000 under \$25,000	-43,338	217,817	1,006,021	129,494	31,131	94,540							
\$25,000 under \$50,000	-13,771	762,965	3,259,246	1,255,174	90,543	507,814							
\$50,000 under \$100,000	43,372	1,193,714	4,615,591	1,255,174	150,732	1,079,273							
\$100,000 under \$200,000	85,170	1,050,442	3,613,729	1,289,401	149,156	1,147,886							
\$200,000 under \$500,000	180,007	1,207,099	3,958,051	1,719,751	118,034	1,558,303							
\$500,000 under \$1,000,000	213,700	662,881	1,889,278	887,818	12,722	848,477							
\$1,000,000 or more	91,290	1,141,098	3,960,853	1,952,162	50,755	1,849,813							
Taxable returns, total	573,102	6,126,842	21,838,001	7,723,507	481,471	7,044,856							
Under \$25,000	-30,994	205,178	958,942	120,181	18,149	99,769							
\$25,000 under \$50,000	-1,991	716,510	3,058,508	572,450	57,086	507,814							
\$50,000 or more	608,087	5,205,154	17,820,551	7,030,895	406,235	6,437,273							
Non-taxable returns, total	-31,600	114,422	589,907	126,604	123,397	—							
Under \$25,000	-2,384	16,991	124,478	12,112	10,744	—							
\$25,000 under \$50,000	-16,873	57,570	248,677	41,081	39,489	—							
\$50,000 or more	-12,543	39,861	216,752	73,411	73,165	—							

FIGURES

Individual Foreign Income and Taxes, 1983

Table 2.—All Returns with Foreign Tax Credit: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes and Credit by Size of Adjusted Gross Income—Continued  
(All figures are estimates based on samples—money amounts are in thousands of dollars)

Size of adjusted gross income	Returns with a Form 1116 in support of credit claimed—Continued						
	Foreign income and taxes—Continued						
	Total number of returns	Gross income		Other than DISC dividends and certain interest			
		Number of returns	Amount	Dividends	Net gain from sale of capital assets	Salaries and wages	Business or profession
Total							
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
All returns, total	350,785	310,934	4,245,267	584,866	255,481	3,410,293	355,708
Under \$10,000	23,906	20,212	105,052	8,124	1,501	100,454	12,233
\$10,000 Under \$25,000	73,373	63,364	476,308	44,189	2,266	568,937	10,945
\$25,000 Under \$50,000	113,194	99,247	921,110	118,402	3,702	948,335	48,527
\$50,000 Under \$100,000	83,317	74,496	1,030,878	149,831	12,598	961,994	38,284
\$100,000 Under \$200,000	34,047	31,026	657,566	74,291	27,514	549,248	18,203
\$200,000 Under \$500,000	17,468	16,894	333,928	51,605	7,443	241,164	13,547
\$500,000 Under \$1,000,000	3,782	3,594	617,128	54,930	130,283	23,021	5,170
\$1,000,000 or more	2,012	1,901	303,300	63,495	70,154	19,130	3,410
Taxable returns, total	322,497	283,704	3,343,611	515,234	242,747	2,552,159	288,611
Under \$25,000	79,526	67,311	278,849	40,055	2,451	350,532	6,402
\$25,000 Under \$50,000	105,135	91,252	619,586	96,709	3,631	662,085	21,216
\$50,000 or more	137,836	125,141	2,445,278	378,470	236,664	1,539,542	261,192
Non-taxable returns, total	28,288	27,230	901,656	49,632	12,714	858,134	66,997
Under \$25,000	14,556	13,562	223,583	11,803	1,316	222,673	13,829
\$25,000 Under \$50,000	10,962	10,898	380,653	22,407	71	380,447	30,359
\$50,000 or more	2,770	2,770	297,421	15,662	11,328	255,014	22,710

Size of adjusted gross income	Returns with a Form 1116 in support of credit claimed—Continued						
	Foreign income and taxes—Continued						
	Gross income—Continued				Total deductions		Taxable income (less loss before loss recapture)
	DISC dividends <sup>1</sup>		Certain interest income		Number of returns	Amount	
Number of returns	Amount	Number of returns	Amount				
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
All returns, total	12,250	15,299	35,693	107,530	200,989	1,121,603	3,138,689
Under \$10,000	411	317	3,587	9,560	28,606	123,759	77,253
\$10,000 Under \$25,000	3,976	4,755	8,081	15,945	36,717	130,569	330,260
\$25,000 Under \$50,000	3,071	4,165	11,915	24,303	58,384	273,949	650,024
\$50,000 Under \$100,000	274	441	7,258	18,190	51,553	269,455	763,837
\$100,000 Under \$200,000	277	190	822	9,530	25,345	130,743	528,367
\$200,000 Under \$500,000	142	158	189	2,152	3,516	17,388	463,689
\$500,000 Under \$1,000,000	22	764	183	6,465	1,701	86,151	218,111
\$1,000,000 or more	11,839	12,897	34,684	99,872	184,411	940,048	2,418,775
Taxable returns, total	3,447	2,670	10,862	17,904	37,076	97,895	183,258
Under \$25,000	3,976	4,165	11,787	22,431	53,028	210,887	411,480
\$25,000 Under \$50,000	4,416	6,063	12,035	59,537	94,307	631,266	1,823,437
\$50,000 or more	411	2,402	1,009	7,658	18,578	181,555	720,515
Non-taxable returns, total	411	2,402	1,009	7,658	18,578	181,555	720,515
Under \$25,000	—	—	—	—	—	—	—
\$25,000 Under \$50,000	—	—	—	—	—	—	—
\$50,000 or more	—	—	—	—	—	—	—

Size of adjusted gross income	Returns with a Form 1116 in support of credit claimed—Continued						
	Foreign income and taxes—Continued						
	Taxable income (less loss) before loss recapture—Continued			Foreign taxes available for credit			Foreign tax credit computed
	DISC dividends	Certain interest	Taxable income after loss recapture	Total	On income other than DISC dividends and certain interest		
On dividends					On certain interest		
	(36)	(37)	(38)	(39)	(40)	(41)	(42)
All returns, total	14,693	93,099	3,250,047	1,141,206	1,114,414	24,870	595,966
Under \$10,000	517	5,544	83,112	26,657	24,498	2,126	3,990
\$10,000 Under \$25,000	4,501	14,105	31,660	77,463	77,463	3,648	30,973
\$25,000 Under \$50,000	3,981	21,914	670,967	195,798	190,917	6,141	90,952
\$50,000 Under \$100,000	4,484	21,907	788,813	292,584	285,629	4,338	150,780
\$100,000 Under \$200,000	439	16,849	547,340	254,183	247,976	6,141	149,171
\$200,000 Under \$500,000	189	5,580	478,573	218,359	214,780	1,550	107,198
\$500,000 Under \$1,000,000	138	1,696	101,209	16,371	16,009	338	12,716
\$1,000,000 or more	644	5,623	228,674	81,791	80,380	1,357	50,205
Taxable returns, total	12,307	85,840	2,526,449	859,383	835,096	22,512	471,688
Under \$25,000	2,432	15,835	250,967	55,599	50,477	4,794	17,896
\$25,000 Under \$50,000	3,981	19,834	431,530	124,806	120,634	3,631	57,042
\$50,000 or more	5,894	50,371	1,894,106	679,068	663,986	14,087	396,748
Non-taxable returns, total	2,386	7,259	723,598	281,824	279,318	2,158	124,280
Under \$25,000	2,386	4,078	171,041	34,844	33,514	582	10,972
\$25,000 Under \$50,000	—	2,096	302,055	84,758	84,051	1707	40,005
\$50,000 or more	—	1,085	250,502	162,221	161,752	469	73,303

<sup>1</sup> DISC means Domestic International Sales Corporations.  
\* Estimate should be used with caution because of small returns on which it was based.  
NOTE: Detail may not add to total because of rounding.

Individual Foreign Tax Credit and Foreign Earned Income, 1987

The Foreign Earned Income and Foreign Tax Credit Study is a study of the foreign income and taxes of U.S. citizens and resident aliens reported on Forms 2555, Foreign Earned Income, and 1116, Computation of Foreign Tax Credit - Individual, Fiduciary, or Nonresident Alien Individual. These forms are attached to Form 1040, U.S. Individual Income Tax Return. Taxpayers use Form 2555 to claim the foreign earned income exclusion or housing deduction and Form 1116 to claim the foreign tax credit.

The foreign earned income exclusion was originally passed in 1926 to encourage U.S. exports by allowing all U.S. citizens who lived abroad for six months or more to exclude all of their foreign earnings from their U.S. gross income. In the subsequent years, Congress passed several enhancements and restrictions. The most significant was the 1978 Foreign Earned Income Act. This act addressed the complaints of U.S. companies operating in high cost, low tax jurisdictions (primarily the Middle East) by permitting taxpayers to deduct certain expenses, like excess housing costs, as well as their foreign earnings.

For 1987, individuals who resided in a foreign country for the entire tax year or who maintained a tax home abroad for at least eleven consecutive months, could exclude up to \$70,000 of their foreign earnings and reasonable excess housing costs.

The foreign tax credit was first enacted in 1918 to eliminate double taxation on foreign-source income. Since the U.S. taxes its citizens on their worldwide income, this law enables taxpayers to take their foreign taxes as a credit against their U.S. income tax liability, subject to a limitation. This limitation is calculated by taking the ratio of the foreign-source taxable income to the worldwide taxable income and multiplying it by the U.S. tax. The limitation prevents taxpayers from using taxes paid in a relatively high tax country to offset their domestic tax liability. Further restrictions passed since 1918 require a separate limitation calculation on certain types of income. After the Tax Reform Act of 1986, these types of income are: passive, high withholding tax interest, financial services, shipping, IC-DISC dividends, distributions from Foreign Sales Corporations and general

limitation income (all other). Passive income usually includes dividends, rents, royalties, annuities, and interest, except for that interest subject to a withholding tax of at least five percent. High withholding tax interest is subject to a separate limitation. General limitation income consists primarily of wages. Taxpayers can carry taxes paid in excess of the limitation back two years and then forward up to five years. Taxes carried to another year could be used in the foreign tax credit calculation for that year. Taxpayers were not permitted to credit foreign taxes on income reported on Form 2555.

The three tables that follow contain data for the 1987 Individual Foreign Earned Income and Foreign Tax Credit study. Table 1 contains foreign tax credit data classified by size of adjusted gross income reported on the Form 1040. The data contained in columns 1 through 3 are reported on the forms 1040 with a foreign tax credit. The data contained in columns 4 through 7 are reported on those forms 1040 that had a Form 1116 attached. Columns 8 through 13 contain data reported on Form 1116. A total of 561,109 individual income tax returns claimed foreign tax credits of \$1.04 billion, a 67.9 percent increase from 1983. The 518,350 returns with an attached Form 1116 offset their U.S. income tax of \$16.35 billion with foreign tax credits of \$1.02 billion.

Table 2 contains Form 1116 data classified by geographical area. The single largest source of foreign income was Canada. A total of 131,918 returns reported Canadian-source taxable income of \$840 million, about fifteen percent of total foreign-source taxable income. The largest share of foreign taxes were paid or accrued to the United Kingdom. The U.K. imposed \$299 million of taxes on the U.K.-source income of U.S. citizens and residents. This amounted to 16.6 percent of total foreign taxes paid or accrued.

Table 3 contains Form 2555 data classified by size of adjusted gross income reported on the Form 1040. A total of 171,191 individual income tax returns had a Form 2555 attached. These returns reported net foreign earned income of \$8.19 billion, an increase of fourteen percent from 1983. These taxpayers calculated foreign earned

Income exclusions of \$5.98 billion (an increase of 4.8 percent from 1983) and foreign housing exclusions of \$468 million (an increase of 48.6 percent from 1983). The total exclusions claimed on Form 2555 was \$6.42 billion. (The actual exclusion taken is less than the sum of the foreign earned income and housing exclusions because taxpayers had to adjust these exclusions by the amount of deductions reported on Form

1040 that were not allowed because the deductions were allocable to excluded income.) The average exclusion from Form 2555 for all returns was \$37,544, about 53.6 percent of the maximum \$70,000 exclusion. In addition, taxpayers who personally paid their housing costs (instead of having it paid for by an employer) deducted foreign housing costs of \$17 million.

Table 1 -- Individual Foreign Tax Credit Claimed on Form 1040, Foreign Income Earned, and Foreign Taxes, by Size of Adjusted Gross Income, 1987

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Size of adjusted gross income	Returns with a foreign tax credit reported on Form 1040			Form 1040 data from returns with Form 1116 attached			
	Number of returns (1)	Adjusted gross income (2)	Foreign tax credit claimed (3)	Number of returns (4)	Adjusted gross income (5)	U.S. income tax before credits (6)	Foreign tax credit claimed (7)
All returns, total.....	561,109	72,482,968	1,036,270	518,350	69,285,559	16,346,301	1,024,284
Zero or less.....	*10	*-11,264	*1	*10	*-11,264	*36	*1
\$1 under \$10,000.....	31,741	192,860	2,664	29,949	178,517	12,597	2,626
\$10,000 under \$25,000.....	91,793	1,655,154	21,919	84,840	1,536,070	119,628	21,574
\$25,000 under \$50,000.....	130,565	4,866,338	95,128	119,388	4,419,607	556,480	91,385
\$50,000 under \$70,000.....	82,601	4,942,475	45,717	72,996	4,353,247	682,006	45,138
\$70,000 under \$100,000.....	76,138	6,336,865	104,250	69,147	5,746,146	1,094,080	104,014
\$100,000 under \$200,000.....	86,335	11,919,263	218,830	81,969	11,339,189	2,500,039	213,125
\$200,000 under \$500,000.....	43,081	13,176,929	232,090	41,634	12,776,352	3,327,040	231,428
\$500,000 under \$1,000,000..	11,773	8,059,150	92,282	11,478	7,859,571	2,181,611	91,862
\$1,000,000 or More.....	7,071	21,345,198	223,389	6,940	21,088,124	5,872,784	223,132

Size of adjusted gross income	Foreign income and taxes reported on Form 1116					
	Gross income (8)	Total deductions (9)	Taxable income (less loss) (10)	Foreign taxes paid or accrued (11)	Carryback or carryover (12)	Reduction for certain foreign taxes (13)
All returns, total.....	7,097,249	1,562,240	5,535,009	1,806,062	540,056	454,393
Zero or less.....	*5	**	*5	*1		**
\$1 under \$10,000.....	65,174	10,670	54,504	16,394	8,526	5,696
\$10,000 under \$25,000.....	417,282	85,709	331,572	89,386	35,842	34,510
\$25,000 under \$50,000.....	1,089,114	267,146	821,967	252,719	38,858	90,519
\$50,000 under \$70,000.....	450,017	85,044	364,973	125,187	29,785	56,124
\$70,000 under \$100,000.....	720,804	125,731	595,073	209,471	73,508	74,449
\$100,000 under \$200,000.....	1,229,797	199,144	1,030,653	385,174	159,409	112,285
\$200,000 under \$500,000.....	1,307,675	386,137	921,538	352,226	108,916	68,473
\$500,000 under \$1,000,000..	524,881	96,463	428,418	107,480	28,491	8,907
\$1,000,000 or More.....	1,292,500	306,195	986,306	268,026	56,720	3,429

\* Estimate should be used with caution because of the small number of returns on which it was based.

\*\* Less than \$500

Table 2 -- Gross Income From Foreign Sources, Deductions and Losses, Foreign Taxes Paid or Accrued, by Selected Geographic Area, 1987

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Selected geographic area	Form 1116 Data				
	Number of returns	Gross income	Total deductions	Taxable income (less loss)	Foreign taxes paid or accrued
	(1)	(2)	(3)	(4)	(5)
All geographic areas, total...	518,350	7,097,249	1,562,240	5,535,009	1,806,062
Canada.....	131,918	1,290,937	450,841	840,096	267,928
Mexico.....	11,312	87,044	11,476	75,567	33,679
France *.....	5,691	188,351	38,017	150,334	63,267
Netherlands.....	35,453	135,318	21,607	113,711	34,970
United Kingdom.....	58,709	860,068	169,370	690,698	299,044
West Germany.....	7,927	429,504	106,064	323,440	141,464
Switzerland.....	12,550	199,404	41,753	157,651	43,468
South Africa.....	67,470	127,726	13,278	114,447	20,552
Israel.....	11,354	100,034	7,776	92,257	27,052
Saudi Arabia.....	3,363	209,986	124,273	85,714	4,116
Hong Kong.....	2,973	97,223	24,591	72,633	20,238
Japan **.....	20,003	633,664	86,881	546,782	198,595
Australia.....	30,875	196,460	35,941	160,518	54,968
New Zealand.....	2,450	27,174	1,940	25,234	6,434
Puerto Rico.....	17,049	453,793	57,909	395,884	80,349

\* Including Andorra  
 \*\* Including Okinawa and Ryukyu

Table 3 -- Foreign Earned Income, Housing Exclusion, Foreign Earned Income Exclusion, and Deductions, by Size of Adjusted Gross Income, 1987

[All figures are estimates based on samples -- money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns	Form 2555 data					
		Gross foreign earned income		Exclusions and deductions			
		Total income	Salaries and wages	Housing exclusion	Foreign earned income exclusion	Exclusion from Form 2555	Deduction from Form 2555
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All returns, total.....	171,191	8,190,229	5,846,912	467,896	5,982,454	6,427,167	16,761
Zero or less.....	27,544	935,088	790,052	16,726	897,346	918,469	*
\$1 under \$10,000.....	65,112	2,091,614	1,795,779	38,740	2,013,376	2,048,819	1,863
\$10,000 under \$25,000.....	32,587	1,088,383	873,114	46,719	959,576	1,004,382	1,646
\$25,000 under \$50,000.....	20,644	1,181,219	788,397	74,595	853,073	910,732	4,268
\$50,000 under \$70,000.....	7,922	566,510	351,666	52,251	348,906	399,600	1,304
\$70,000 under \$100,000.....	7,561	686,864	394,786	68,230	359,303	426,056	1,956
\$100,000 under \$200,000.....	6,766	902,082	446,841	105,446	366,947	471,278	3,541
\$200,000 under \$500,000.....	2,564	557,384	292,020	56,623	153,369	208,829	1,687
\$500,000 under \$1,000,000..	367	126,054	77,310	6,954	22,883	29,496	*
\$1,000,000 or more.....	125	55,030	36,946	1,881	7,676	9,507	*

Note: Detail may not sum to totals due to rounding.

\* Less than \$500

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Income paid to nonresident aliens and other foreign persons by U.S. persons is subject to a withholding tax imposed by the United States. A nonresident alien is an individual who is neither a citizen nor a resident of the United States. Income paid to corporations, estates, and trusts created outside of the U.S. is also subject to the withholding tax.

U.S. source income is subject to a 30 percent tax withheld by the U.S. payer, usually a financial institution. Income subject to the withholding tax includes wages and salaries, dividends, interest, royalties or fees. However, income that is "effectively connected" with the conduct of a trade or business within the U.S. is taxed separately.

For residents of certain countries having tax treaties with the United States, U.S. source income may be subject to withholding at a rate lower than 30%. In addition, certain income may be exempt from the withholding tax altogether. Tax is no longer withheld for most interest payments to foreigners. This change was enacted in 1984 to lessen the attractiveness of financing through tax-haven countries.

The basis of the data contained in this section is the Form 1042S filed by U.S. payers. A copy of this form and the accompanying instructions are in Section 15 of this compendium.

\* Form 1042S, Income Subject to Withholding under Chapter 3, Internal Revenue Code, and Instructions (p. 438)

Table 1.--Forms 1042S for 1984: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries, 1984

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Income paid			Tax withheld		
		Total	Exempt from withholding	Subject to withholding	Total	By domestic withholding agents	By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	780,708	17,106,632	9,368,142	7,738,490	1,057,453	969,553	87,900
Treaty countries, total.....	643,716	15,607,203	8,503,088	7,104,119	910,555	822,655	87,900
Australia.....	15,581	62,653	16,703	45,950	7,592	7,592	-
Austria.....	3,411	24,635	15,790	8,845	1,556	1,556	-
Belgium.....	12,264	826,995	710,197	116,798	18,459	16,896	1,563
Canada.....	310,976	1,814,713	966,332	848,381	124,056	124,056	-
Denmark.....	2,497	13,492	8,313	5,179	737	734	3
Egypt.....	452	28,580	28,204	376	72	72	-
Finland.....	683	9,352	6,460	2,892	348	348	-
France.....	18,625	819,238	204,876	614,362	60,601	60,408	193
Greece.....	5,787	9,102	4,819	4,284	1,200	1,200	-
Ireland.....	5,776	16,870	5,781	11,089	1,633	1,633	-
Italy.....	9,190	66,465	25,292	41,173	8,227	8,227	-
Japan.....	12,264	1,393,545	146,343	1,247,202	130,418	130,418	-
Luxembourg.....	2,631	90,090	48,903	41,187	8,782	8,782	-
Netherlands.....	9,919	1,918,889	1,055,443	863,447	66,396	66,137	259
Netherlands Antilles.....	3,257	2,812,549	2,702,547	110,002	18,844	18,844	-
New Zealand.....	2,116	5,061	615	4,446	576	576	-
Norway.....	3,985	49,948	43,212	6,736	1,118	1,118	-
Poland.....	410	5,109	1,877	3,232	898	898	-
South Africa.....	2,554	5,739	444	5,295	1,452	1,452	-
South Korea.....	541	5,171	1,767	3,405	755	755	-
Sweden.....	6,237	99,950	24,553	75,397	6,723	6,723	-
Switzerland.....	23,904	1,450,913	314,813	1,136,100	226,525	141,565	84,960
Trinidad and Tobago.....	449	10,929	10,472	458	132	132	-
United Kingdom.....	136,555	3,091,489	1,462,897	1,628,592	179,093	178,172	921
West Germany.....	46,638	963,166	691,774	271,392	42,398	42,398	-
Other treaty countries.....	7,014	12,560	4,661	7,899	1,964	1,964	-
Nontreaty countries, total.....	136,989	1,499,429	865,054	634,371	146,898	146,898	-
Argentina.....	5,749	15,879	7,845	8,034	2,185	2,185	-
Bahamas.....	2,430	46,280	14,857	31,423	9,072	9,072	-
Barbados.....	374	19,317	520	18,797	3,749	3,749	-
Bermuda.....	1,902	88,347	21,804	66,543	19,103	19,103	-
Brazil.....	3,440	20,830	12,345	8,485	2,527	2,527	-
British Virgin Islands.....	432	14,393	566	13,827	2,825	2,825	-
Cayman Islands.....	1,023	58,953	46,242	12,711	3,765	3,765	-
Hong Kong.....	10,886	65,494	27,296	38,198	11,235	11,235	-
Israel.....	4,877	12,156	3,044	9,112	2,272	2,272	-
Jersey.....	647	11,641	236	11,405	3,043	3,043	-
Kuwait.....	990	13,119	4,523	8,596	2,377	2,377	-
Liberia.....	439	23,329	13,634	9,694	2,883	2,883	-
Liechtenstein.....	968	26,400	9,162	17,238	5,138	5,138	-
Mexico.....	13,530	52,905	11,593	41,312	12,274	12,274	-
Panama.....	3,499	100,865	52,574	48,291	14,319	14,319	-
Portugal.....	1,381	28,816	876	27,941	1,395	1,395	-
Puerto Rico.....	4,366	7,295	4,494	2,801	824	824	-
Saudi Arabia.....	3,370	351,990	346,818	5,172	1,532	1,532	-
Singapore.....	3,571	26,709	22,144	4,565	1,345	1,345	-
Spain.....	5,726	39,260	22,791	16,469	4,558	4,558	-
Taiwan.....	1,572	11,131	8,589	2,543	738	738	-
United Arab Emirates.....	1,034	143,449	142,832	617	182	182	-
Venezuela.....	6,124	22,151	13,228	8,923	2,548	2,548	-
Other nontreaty countries.....	58,662	298,720	77,041	221,674	37,009	37,009	-

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All countries, total.....	780,708	969,553	17,106,632	10,035,675	5,617,707	899,427	155,629
Individuals.....	572,259	143,611	1,223,373	429,163	436,739	100,000	124,695
Corporations.....	60,256	545,401	11,678,090	7,220,590	3,490,617	725,928	19,778
Antigua.....	66	13	630	514	32	80	-
Individuals.....	46	3	20	2	10	4	-
Corporations.....	6	1	581	500	5	76	-
Argentina.....	5,749	2,185	15,879	9,473	3,614	397	799
Individuals.....	4,497	1,267	7,856	2,899	2,589	125	759
Corporations.....	89	587	2,081	1,591	179	257	35
Australia.....	15,508	7,544	60,856	15,516	23,405	14,415	4,790
Individuals.....	13,109	2,456	14,353	1,334	4,594	1,787	4,677
Corporations.....	681	3,120	30,230	11,918	9,939	7,886	73
Austria.....	3,411	1,556	24,635	13,615	7,952	469	850
Individuals.....	2,218	732	6,553	1,196	2,696	121	836
Corporations.....	122	310	9,378	7,203	1,914	250	10
Bahamas.....	2,430	9,072	46,280	14,210	25,314	2,826	317
Individuals.....	1,098	1,117	4,797	867	2,425	690	185
Corporations.....	630	4,148	22,388	6,110	11,315	2,128	-
Bahrain.....	598	624	3,532	2,470	1,007	13	4
Individuals.....	487	223	800	369	396	13	4
Corporations.....	28	281	2,150	1,907	239	-	-
Barbados.....	374	3,749	19,317	3,857	15,388	1/	-
Individuals.....	200	139	771	265	459	-	-
Corporations.....	109	3,502	17,551	3,263	14,287	61	-
Belgium.....	12,264	16,896	826,995	746,165	53,115	14,242	7,762
Individuals.....	8,717	1,713	13,300	3,039	6,010	291	1,911
Corporations.....	881	11,283	106,701	56,084	27,972	13,815	5,813
Belize.....	88	1,070	3,965	3,794	155	-	-
Individuals.....	70	6	50	2	33	-	-
Corporations.....	11	1,037	3,464	3,393	72	-	-
Bermuda.....	1,902	19,103	88,347	27,621	48,861	4,394	1,572
Individuals.....	1,006	2,224	8,280	1,200	5,900	34	763
Corporations.....	341	13,378	53,527	17,374	26,277	4,354	61
Bolivia.....	550	131	1,228	860	354	1	3
Individuals.....	472	116	763	429	318	1	3
Corporations.....	11	3	29	28	1	-	-
Brazil.....	3,440	2,527	20,830	14,813	2,474	664	2,228
Individuals.....	2,846	1,322	6,808	2,477	1,378	207	2,173
Corporations.....	130	803	12,226	11,481	315	400	-
British Virgin Islands.....	432	2,825	14,393	2,569	11,541	252	-
Individuals.....	192	322	1,357	77	1,228	28	-
Corporations.....	101	1,916	9,740	2,003	7,578	151	-
Bulgaria.....	252	126	444	109	25	1/	193
Individuals.....	226	122	431	105	24	1/	193
Corporations.....	10	1	4	1	-	-	-
Canada.....	310,976	124,055	1,814,713	842,491	715,657	130,400	18,875
Individuals.....	232,092	22,091	183,204	29,386	93,247	13,910	13,641
Corporations.....	25,464	61,763	1,218,893	690,512	349,701	108,658	3,327
Cayman Islands.....	1,023	3,765	58,953	48,515	9,042	1,039	94
Individuals.....	229	690	4,563	3,523	915	43	81
Corporations.....	427	1,415	35,326	30,827	3,306	991	13
Chile.....	1,970	970	4,194	1,160	2,249	278	278
Individuals.....	1,567	570	2,622	596	1,528	43	268
Corporations.....	86	222	743	316	214	212	-
China.....	1,152	813	4,157	275	1,714	261	135
Individuals.....	971	374	2,545	181	431	257	109
Corporations.....	28	335	1,116	22	1,088	2	-
China (Taiwan).....	1,572	738	11,131	8,150	2,384	25	293
Individuals.....	1,376	528	2,431	624	1,234	20	288
Corporations.....	20	53	717	674	33	1/	5
Columbia.....	2,590	746	3,798	1,550	1,757	129	217
Individuals.....	2,150	541	2,468	803	1,255	112	164
Corporations.....	114	72	595	355	194	15	23

Footnote at end of table.

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Costa Rica.....	964	434	2,188	387	1,143	101	65
Individuals.....	746	267	1,515	272	610	93	63
Corporations.....	42	25	85	3	73	8	-
Czechoslovakia.....	405	505	2,148	278	102	242	1,291
Individuals.....	355	412	1,802	213	89	9	1,291
Corporations.....	12	61	204	21	2	182	-
Denmark.....	2,497	734	13,492	4,174	4,691	3,303	739
Individuals.....	2,182	346	2,941	248	1,303	134	672
Corporations.....	79	165	5,320	490	1,786	3,045	-
East Germany.....	411	257	2,692	1,540	394	330	279
Individuals.....	360	235	2,343	1,531	390	29	253
Corporations.....	8	3	161	9	1/	144	-
Ecuador.....	864	300	2,395	457	506	875	112
Individuals.....	742	275	1,609	266	428	360	112
Corporations.....	23	6	498	1	21	476	-
El Salvador.....	310	227	939	592	46	33	-
Individuals.....	266	196	788	183	504	41	33
Corporations.....	16	10	40	11	28	-	-
Finland.....	683	348	9,352	3,773	1,584	1,982	760
Individuals.....	583	157	1,804	309	201	12	759
Corporations.....	28	70	5,286	2,012	1,354	1,919	-
France.....	18,565	60,396	819,180	251,052	430,028	116,488	8,410
Individuals.....	13,737	5,584	64,669	12,908	16,091	20,863	8,127
Corporations.....	1,012	28,875	516,711	178,130	247,206	86,472	167
Gibraltar.....	87	75	264	18	236	10	-
Individuals.....	61	34	114	113	95	10	-
Corporations.....	18	30	113	7	95	10	-
Greece.....	5,787	1,200	9,102	2,249	3,562	127	569
Individuals.....	5,147	689	6,281	1,073	2,020	117	535
Corporations.....	107	115	1,131	761	368	1	1/
Guam.....	368	22	243	170	52	1/	-
Individuals.....	328	14	67	4	42	1/	-
Corporations.....	10	5	22	20	2	-	-
Guatemala.....	797	298	1,815	803	819	114	2
Individuals.....	665	229	860	157	510	114	2
Corporations.....	28	15	739	597	142	-	-
Guernsey.....	330	1,340	5,427	1,543	3,862	5	-
Individuals.....	74	194	918	555	-	-	-
Corporations.....	209	858	3,506	1,083	2,415	5	-
Honduras.....	738	248	1,366	1,283	434	17	329
Individuals.....	678	189	1,127	94	234	7	329
Corporations.....	14	38	151	20	122	10	-
Hong Kong.....	10,886	11,235	65,494	29,532	33,034	1,480	871
Individuals.....	8,386	4,285	16,980	2,235	13,139	454	783
Corporations.....	695	4,876	25,448	10,828	13,344	1,019	63
India.....	1,645	1,413	9,603	3,213	481	2,803	462
Individuals.....	1,453	501	5,080	1,924	326	41	429
Corporations.....	42	850	3,639	710	46	2,759	5
Iran.....	965	347	1,658	631	886	15	37
Individuals.....	822	264	1,192	376	681	15	27
Corporations.....	15	4	4	1/	4	-	-
Ireland.....	5,776	1,633	16,870	4,093	10,682	1,122	425
Individuals.....	5,174	469	4,671	554	2,069	1,097	424
Corporations.....	148	700	8,760	3,346	5,413	1/	1
Isle of Man.....	186	232	793	91	631	47	-
Individuals.....	127	108	367	54	241	45	-
Corporations.....	21	54	183	6	177	-	-
Israel.....	4,877	2,272	12,156	4,285	3,503	321	1,267
Individuals.....	3,949	1,241	7,161	1,417	1,647	228	1,256
Corporations.....	140	444	2,518	2,299	116	55	-
Italy.....	9,190	8,227	66,465	19,834	25,111	10,411	5,187
Individuals.....	7,910	5,064	27,906	2,992	7,167	7,327	4,959
Corporations.....	249	2,597	29,827	12,510	15,036	2,021	159
Jamaica.....	719	89	1,204	143	217	204	132
Individuals.....	628	64	868	86	160	20	132
Corporations.....	9	2	11	-	11	1/	-

Footnote at end of table.

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Japan.....	12,264	130,418	1,393,545	886,476	280,717	165,819	10,151
Individuals.....	9,641	10,958	114,850	93,305	5,861	1,645	8,816
Corporations.....	1,833	112,351	1,175,224	722,838	251,901	157,839	1,261
Jersey.....	647	3,043	11,641	789	10,606	19	71
Individuals.....	149	141	483	76	406	-	1
Corporations.....	152	1,415	5,865	239	5,402	-	68
Kuwait.....	990	2,377	13,119	7,347	5,642	12	26
Individuals.....	649	631	2,202	240	1,915	12	26
Corporations.....	89	1,141	4,899	2,757	2,074	-	-
Lebanon.....	1,681	720	4,922	2,017	2,172	205	174
Individuals.....	1,490	542	2,527	366	1,620	65	124
Corporations.....	21	42	139	17	72	-	50
Liberia.....	439	2,883	23,329	14,371	8,531	407	-
Individuals.....	306	240	1,148	337	765	41	-
Corporations.....	71	2,478	21,593	13,871	7,352	366	-
Liechtenstein.....	968	5,138	26,400	5,613	20,109	224	172
Individuals.....	344	1,120	4,880	584	4,202	2	21
Corporations.....	222	1,744	7,039	2,503	4,040	213	151
Luxembourg.....	2,631	8,782	90,090	46,281	42,461	22	112
Individuals.....	540	513	3,590	1,635	1,799	4	91
Corporations.....	839	4,111	43,765	22,121	21,438	17	-
Malaysia.....	1,059	169	1,119	510	466	22	37
Individuals.....	947	132	530	73	334	1	37
Corporations.....	20	11	484	433	31	21	-
Mexico.....	13,530	12,274	52,905	22,688	12,564	6,341	2,281
Individuals.....	11,746	5,593	23,459	5,229	8,433	5,203	2,228
Corporations.....	376	5,283	18,031	10,446	2,429	646	28
Monaco.....	495	1,199	5,756	1,133	3,909	69	368
Individuals.....	346	704	3,566	842	2,079	57	368
Corporations.....	38	159	585	79	506	1/	-
Morocco.....	187	226	1,144	208	695	23	105
Individuals.....	132	92	477	93	177	6	105
Corporations.....	13	15	107	15	-	-	-
Netherlands.....	9,919	66,137	1,918,889	995,643	865,187	39,645	2,770
Individuals.....	6,040	2,934	74,874	49,987	14,902	4,328	2,564
Corporations.....	1,330	53,738	1,723,846	900,950	777,083	34,220	30
Netherlands Antilles.....	3,257	18,844	2,812,549	2,619,895	115,981	62,090	422
Individuals.....	843	3,584	48,713	24,840	22,643	1,130	40
Corporations.....	1,553	11,016	2,608,174	2,475,626	59,230	60,680	382
New Zealand.....	2,116	576	5,061	2,982	1,063	216	349
Individuals.....	1,790	235	1,846	687	123	335	221
Corporations.....	83	42	320	45	212	62	-
Norway.....	3,985	1,118	49,948	41,695	5,542	883	514
Individuals.....	3,345	410	3,948	449	1,344	368	613
Corporations.....	127	478	43,197	40,145	2,671	376	1/
Panama.....	3,499	14,319	100,865	57,483	36,829	3,461	39
Individuals.....	1,617	2,314	12,175	4,889	6,595	246	29
Corporations.....	954	8,388	58,855	33,340	20,183	3,137	4
Peru.....	1,576	319	2,791	1,526	792	46	188
Individuals.....	1,262	241	1,876	945	577	33	116
Corporations.....	37	22	100	19	27	3	72
Philippines.....	4,165	1,034	4,892	1,072	1,464	120	190
Individuals.....	3,597	878	4,026	660	1,101	118	30
Corporations.....	112	34	203	151	37	1	-
Poland.....	410	898	5,109	2,555	2,807	117	1,552
Individuals.....	376	71	2,105	130	92	14	1,492
Corporations.....	11	814	2,870	73	2,677	90	30
Portugal.....	1,381	1,395	28,816	3,573	24,680	40	326
Individuals.....	1,116	238	1,273	210	555	6	322
Corporations.....	37	15	409	345	26	34	4
Puerto Rico.....	4,366	824	7,295	5,497	478	978	202
Individuals.....	3,842	141	568	127	393	1	23
Corporations.....	266	629	6,243	5,316	30	887	4
Romania.....	149	57	328	78	18	2	201
Individuals.....	132	55	297	66	18	2	201
Corporations.....	10	1	6	4	1/	-	-

Footnote at end of table

## Foreign Recipients of U.S. Income, 1984

Table 2.--Forms 1042S for 1984: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient, 1984--Continued

[Money amounts are in thousands of dollars]

Country or geographic area	Number of Forms 1042S	Tax withheld	Income paid				
			Total	Interest	Dividends	Rents and royalties	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Saudi Arabia.....	3,370	1,532	351,990	327,576	15,969	145	8,169
Individuals.....	2,855	1,164	6,706	816	3,005	145	2,632
Corporations.....	65	183	61,181	48,893	12,272	-	-
Singapore.....	3,571	1,345	26,709	10,809	5,241	81	110
Individuals.....	3,226	856	3,089	133	2,599	76	108
Corporations.....	119	342	14,661	2,769	1,596	5	-
South Africa.....	2,554	1,452	5,739	1,165	3,066	276	555
Individuals.....	2,307	1,025	3,878	1,064	1,481	134	540
Corporations.....	52	258	1,253	44	1,127	77	1/
South Korea.....	541	755	5,171	2,145	2,060	14	581
Individuals.....	435	92	1,247	235	151	13	545
Corporations.....	40	205	1,418	962	447	1	-
Spain.....	5,726	4,558	39,260	26,334	6,733	1,136	3,998
Individuals.....	4,716	2,394	10,896	2,375	3,255	319	3,924
Corporations.....	259	1,226	8,112	6,841	663	608	-
Sweden.....	6,237	6,723	99,950	10,213	66,344	13,006	6,988
Individuals.....	5,496	2,540	14,216	1,361	2,348	476	6,795
Corporations.....	157	3,289	78,939	8,198	58,337	12,297	32
Switzerland.....	23,904	141,565	1,450,913	463,715	909,130	55,332	4,021
Individuals.....	10,893	12,802	110,519	39,440	59,991	3,258	2,928
Corporations.....	3,186	83,094	908,647	321,252	527,160	49,092	1,087
Thailand.....	754	169	1,911	947	513	256	74
Individuals.....	663	117	879	105	340	255	64
Corporations.....	13	22	503	432	65	-	-
Turks and Caicos.....	39	147	518	450	49	19	-
Individuals.....	12	47	175	151	4	19	-
Corporations.....	15	90	304	274	30	-	-
U.S.S.R.....	386	104	906	247	103	501	13
Individuals.....	327	94	410	246	71	39	13
Corporations.....	14	1/	446	-	1	444	-
United Arab Emirates.....	1,034	182	143,449	142,080	1,334	11	12
Individuals.....	930	124	432	121	287	11	1
Corporations.....	13	8	8,210	8,189	21	-	-
United Kingdom.....	136,555	178,172	3,091,489	1,560,455	1,308,979	144,309	33,651
Individuals.....	94,257	15,144	135,471	24,567	52,958	16,638	27,772
Corporations.....	12,230	80,495	1,980,017	1,047,497	794,585	102,864	5,573
Uruguay.....	1,104	710	5,598	3,022	2,352	35	15
Individuals.....	653	226	1,946	1,239	607	3	15
Corporations.....	63	221	1,258	454	719	1/	-
Venezuela.....	6,124	2,548	22,151	12,191	6,976	1,236	914
Individuals.....	4,932	1,931	16,400	9,575	5,284	235	828
Corporations.....	179	242	2,886	1,068	475	983	40
Virgin Islands - U.S.....	2,105	187	1,789	605	887	234	47
Individuals.....	1,830	75	566	161	366	26	-
Corporations.....	39	75	787	335	197	208	47
West Germany.....	46,638	42,398	963,166	539,477	287,934	88,437	10,942
Individuals.....	34,600	8,791	150,133	69,984	37,207	15,756	9,266
Corporations.....	1,711	20,792	629,107	386,154	177,123	61,644	1,086
Yugoslavia.....	870	79	2,236	449	1,300	61	67
Individuals.....	773	242	929	326	186	23	67
Corporations.....	11	270	914	27	870	16	-
Zimbabwe.....	129	47	166	20	107	-	-
Individuals.....	96	30	110	18	55	-	-
Corporations.....	14	10	33	29	-	-	-
Other countries.....	35,957	23,250	263,885	124,289	107,327	3,657	5,742
Individuals.....	25,466	6,799	40,823	15,278	14,858	477	5,214
Corporations.....	1,668	6,622	125,663	97,440	15,007	1,776	459

1/ Less than \$500.

**Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries**  
 (Money amounts are in thousands of dollars)

Country or geographic area	Number of Forms 1042S	Income paid			Tax withheld		
		Total	Exempt from withholding	Subject to withholding	Total	By domestic withholding agents	By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total</b> .....	<b>833,512</b>	<b>\$17,501,189</b>	<b>\$9,936,663</b>	<b>\$7,564,526</b>	<b>\$1,041,722</b>	<b>\$940,094</b>	<b>\$101,628</b>
<b>Treaty countries,</b>							
<b>total</b> .....	<b>719,183</b>	<b>15,582,787</b>	<b>8,710,327</b>	<b>6,864,460</b>	<b>892,168</b>	<b>790,540</b>	<b>101,628</b>
Australia .....	15,713	92,799	30,590	62,209	8,874	8,874	—
Austria .....	3,301	37,096	24,768	12,328	3,533	2,019	1,514
Belgium .....	10,948	678,966	819,287	59,279	9,221	—	—
Canada .....	305,758	2,032,458	1,227,972	804,486	97,650	97,650	—
Denmark .....	3,044	18,456	9,222	9,234	1,273	—	1
Egypt .....	452	3,878	2,947	731	149	149	—
Finland .....	1,157	32,563	8,562	24,001	1,678	1,678	—
France .....	19,439	703,754	186,293	517,461	54,569	53,669	800
Greece .....	14,962	37,929	5,076	32,853	5,326	5,326	—
Ireland .....	8,051	25,577	5,883	19,694	2,925	2,925	—
Italy .....	34,320	161,655	45,221	116,434	19,304	19,304	—
Jamaica .....	1,820	5,314	722	4,592	679	679	—
Japan .....	16,657	1,840,381	348,091	1,492,290	161,185	161,185	—
Luxembourg .....	2,505	107,441	68,588	38,843	8,837	8,837	—
Netherlands .....	9,084	1,158,252	743,378	414,874	41,962	41,784	178
Netherlands Antilles .....	3,022	3,147,131	2,975,333	171,798	22,906	22,906	—
New Zealand .....	2,054	31,373	26,873	4,700	586	586	—
Norway .....	6,243	24,161	9,615	14,546	2,256	2,256	—
Philippines .....	30,691	75,999	2,574	73,425	11,394	11,394	—
Poland .....	2,830	11,556	2,469	9,087	1,404	1,404	—
South Africa .....	2,432	5,173	568	4,605	1,232	1,232	—
Sweden .....	8,358	86,667	15,554	71,113	7,784	7,784	—
Switzerland .....	21,683	1,268,658	373,243	895,615	185,043	98,322	96,721
Trinidad and Tobago .....	767	11,671	9,832	1,839	296	296	—
United Kingdom .....	135,496	2,834,161	1,204,092	1,630,069	173,627	171,293	2,334
West Germany .....	54,623	937,931	565,471	372,460	57,361	57,361	—
Other treaty countries .....	3,183	11,187	6,303	4,884	1,063	1,063	—
<b>Nontreaty countries,</b>							
<b>total</b> .....	<b>214,329</b>	<b>1,918,403</b>	<b>1,218,336</b>	<b>700,066</b>	<b>149,554</b>	<b>149,554</b>	<b>—</b>
Argentina .....	6,251	17,700	8,233	9,467	2,217	2,217	—
Bahamas .....	2,303	72,960	36,127	36,833	10,294	10,294	—
Barbados .....	575	5,677	1,648	4,029	954	954	—
Bermuda .....	1,713	176,131	132,586	43,545	12,568	12,568	—
Brazil .....	3,874	15,345	7,650	8,395	2,025	2,025	—
British Virgin Islands .....	517	10,813	1,908	8,905	2,396	2,396	—
Cayman Islands .....	1,066	90,776	78,188	12,588	3,413	3,413	—
Hong Kong .....	11,687	125,491	45,413	80,078	11,571	11,571	—
Israel .....	5,689	17,128	5,812	11,316	2,386	2,386	—
Jersey .....	428	12,580	1,757	10,823	2,877	2,877	—
Kuwait .....	833	24,175	17,603	6,572	1,928	1,928	—
Libens .....	368	23,646	14,037	9,609	2,848	2,848	—
Liechtenstein .....	857	17,498	4,978	12,520	3,739	3,739	—
Mexico .....	74,950	209,810	35,404	174,406	30,763	30,763	—
Panama .....	3,919	108,128	54,501	53,627	14,630	14,630	—
Portugal .....	6,613	19,051	914	18,137	2,791	2,791	—
Puerto Rico .....	3,729	6,805	5,692	1,113	323	323	—
Saudi Arabia .....	3,714	202,821	197,635	5,186	1,369	1,369	—
Singapore .....	3,621	33,378	89,305	4,073	1,194	1,194	—
Spain .....	8,155	41,800	17,390	24,420	5,469	5,469	—
Taiwan .....	1,808	5,312	2,331	2,981	799	799	—
United Arab Emirates .....	740	269,038	268,360	678	201	201	—
Venezuela .....	5,876	21,217	12,895	8,322	2,310	2,310	—
Other nontreaty countries .....	64,943	332,425	177,879	154,546	30,189	30,189	—

Foreign Recipients of U.S. Income, 1985

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient  
(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal services
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
All countries, total	933,512	\$940,094	\$17,501,189	\$9,854,258	\$5,650,519	\$975,896	\$748,374	\$147,451
Individuals	764,303	194,060	1,841,153	942,040	59,395	748,374	118,510	—
Corporations	56,682	552,387	12,650,590	8,164,338	3,175,698	829,987	28,815	—
Argentina	6,351	2,217	17,700	9,602	2,983	331	3,014	28,815
Individuals	5,356	1,581	10,025	1,755	2,285	133	3,014	94
Corporations	88	435	2,092	1,847	698	200	—	28,721
Australia	15,713	8,874	92,799	25,149	30,849	95	—	—
Individuals	13,568	7,527	16,957	1,438	4,270	21,557	3,377	7,550
Corporations	829	1,347	62,129	23,135	16,609	15,926	—	2,682
Austria	3,901	2,019	22,497	22,497	7,855	368	2,827	4,832
Individuals	2,960	1,298	17,418	8,028	199	2,827	—	1,290
Corporations	208	483	14,577	11,062	3,288	168	—	2,602
Bahamas	2,303	10,294	72,960	39,845	30,454	73	661	(7)
Individuals	1,247	1,049	5,296	1,322	2,713	34	661	193
Corporations	554	5,861	31,100	14,209	20,102	28	—	143
Bahrain	446	520	3,778	—	—	—	—	—
Individuals	41	131	52	354	140	18	—	(7)
Corporations	393	389	3,726	3,380	928	—	—	—
Barbados	575	954	4,351	3,830	1,631	679	2,682	1,425
Individuals	460	217	5,677	1,728	2,917	24	906	(7)
Corporations	115	737	1,154	2,102	1,598	—	—	—
Belgium	10,948	9,221	878,966	823,571	31,641	16,865	1,598	2,391
Individuals	8,463	1,541	13,582	2,102	4,947	533	1,598	2,391
Corporations	1,221	5,194	865,384	821,471	11,936	16,265	—	339
Bermuda	1,713	12,568	176,131	65,072	30,937	7,370	—	—
Individuals	894	1,924	7,247	794	—	468	—	339
Corporations	375	8,597	154,090	56,892	18,087	7,290	—	—
Bolivia	449	128	2,827	2,127	2	164	—	203
Individuals	449	128	728	218	311	2	164	—
Corporations	11	2	239	113	125	—	—	—
Brazil	3,874	2,025	15,945	8,381	1,631	679	2,682	1,425
Individuals	3,437	1,546	9,897	2,894	1,213	560	2,682	1,407
Corporations	87	319	4,617	4,387	148	73	—	—
British Virgin Islands	517	2,396	10,813	1,266	8,068	192	203	—
Individuals	269	89	626	231	352	38	—	(7)
Corporations	153	1,510	6,965	500	5,578	150	—	—
Canada	305,758	97,650	2,032,458	850,363	710,137	110,306	160,902	19,443
Individuals	248,755	17,724	315,181	305,511	15,017	15,017	160,902	12,236
Corporations	21,517	63,544	1,352,437	401,274	401,274	90,828	—	6,929
Cayman Islands	1,066	3,413	80,776	81,772	8,166	78	404	—
Individuals	508	508	6,540	737	13	404	—	—
Corporations	520	1,735	71,104	77,435	8,153	37	—	—
Chile	2,129	842	5,801	2,349	4,373	66	—	50
Individuals	1,772	631	3,597	879	1,178	82	—	25
Corporations	134	134	702	150	285	250	—	24
China	1,321	1,185	1,185	2,570	1,873	74	55	(7)
Individuals	1,201	405	1,201	1,873	1,873	74	55	29
Corporations	28	351	1,224	51	1,135	9	55	25
Colombia	3,230	1,064	7,427	3,026	1,480	182	2,342	70
Individuals	2,823	861	5,515	1,008	352	352	2,284	15
Corporations	78	78	5,380	1,061	163	163	2,342	70
Costa Rica	1,690	796	5,229	1,176	103	15	—	—
Individuals	1,532	666	4,003	357	709	336	2,284	15
Corporations	54	331	5,151	154	228	1	—	—
Czechoslovakia	1,288	866	5,279	203	80	200	3,949	981
Individuals	1,247	866	5,279	203	80	200	3,949	981
Corporations	13	12	59	15	2	37	—	963
Denmark	3,044	1,272	18,456	5,073	6,384	2,114	3,442	690
Individuals	2,785	520	6,301	506	823	150	3,442	650
Corporations	102	239	9,532	3,473	4,121	1,879	—	40
Dominican Republic	2,605	918	6,286	212	147	—	—	—
Individuals	2,559	904	6,169	135	122	—	—	—
Corporations	16	16	23	4	9	—	—	—
Ecuador	1,707	660	5,035	597	776	134	2,706	134
Individuals	1,591	640	4,093	588	667	277	2,706	134
Corporations	24	6	581	85	19	477	—	—
Egypt	452	149	3,678	474	214	329	—	—
Individuals	380	129	1,189	415	153	31	—	—
Corporations	17	247	2,422	4	4	21	—	—
El Salvador	611	247	1,840	559	278	69	—	—
Individuals	567	208	1,643	485	182	51	—	—
Corporations	29	29	133	43	90	(7)	—	—
Finland	1,157	1,679	32,583	5,475	19,737	2,045	2,075	713
Individuals	1,078	457	8,208	1,081	19,573	2,032	2,075	713
Corporations	30	979	22,725	1,081	19,573	2,032	2,075	713
France	19,302	53,646	204,622	278,712	184,645	9,058	12,213	12,213
Individuals	14,215	8,627	95,754	8,083	487,740	28,755	29,852	12,141
Corporations	1,098	23,160	180,920	2,855	151,329	151,032	—	63
Greece	14,962	5,326	37,929	1,633	132	—	—	—
Individuals	14,389	4,915	36,337	1,633	132	—	—	—
Corporations	573	411	352	94	248	—	—	—
Guatemala	1,115	92	352	94	248	—	—	—
Individuals	999	346	2,697	910	134	908	131	131
Corporations	29	17	266	218	134	908	124	124
Guernsey	249	1,738	6,978	1,419	5,545	—	—	—
Individuals	119	226	968	341	610	—	—	—
Corporations	119	903	3,929	461	(7)	—	—	—

Footnote at end of table

Foreign Recipients of U.S. Income, 1985

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued  
(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Rents and royalties (6)	Social security and railroad retirement (7)	Personal services (8)
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)			
Honduras	1,167	339	2,311	188	326	22	22	943	299	
Individuals	1,106	311	2,071	61	221	22	22	943	299	
Corporations	25	15	117	71	39	—	—	—	—	
Hong Kong	11,687	15,571	125,471	48,308	28,958	1,785	—	5,050	664	
Individuals	9,354	5,470	63,928	5,719	13,068	737	—	5,050	635	
Corporations	812	4,864	48,978	33,899	13,019	875	—	—	281	
India	1,716	734	6,849	2,551	758	56	—	523	261	
Individuals	1,532	637	5,021	1,021	513	43	—	523	241	
Corporations	34	50	239	150	12	12	—	—	20	
Indonesia	874	200	2,495	1,147	1,033	9	—	27	47	
Individuals	874	200	2,495	1,147	1,033	9	—	27	47	
Corporations	—	—	—	—	—	—	—	—	—	
Iran	849	9	40	—	—	—	—	—	—	
Individuals	849	9	40	—	—	—	—	—	—	
Corporations	—	—	—	—	—	—	—	—	—	
Ireland	8,051	2,925	25,577	4,699	11,511	516	—	7,763	582	
Individuals	7,587	1,501	11,547	534	1,842	232	—	7,763	581	
Corporations	143	968	11,061	4,025	6,771	280	—	—	(7)	
Israel	5,689	2,398	17,128	6,563	3,066	468	—	3,521	877	
Individuals	4,754	1,565	9,968	1,351	1,524	239	—	3,521	873	
Corporations	116	367	2,947	16,197	155	—	—	—	—	
Italy	34,320	19,304	34,320	2,838	4,399	8,779	—	85,359	91	
Individuals	33,373	17,185	34,092	2,442	3,208	8,779	—	85,359	91	
Corporations	1,820	679	5,042	396	470	207	—	—	46	
Jamaica	1,724	653	5,042	72	315	77	—	4,081	45	
Individuals	1,724	653	5,042	72	315	77	—	4,081	45	
Corporations	—	—	—	—	—	—	—	—	—	
Japan	16,657	161,185	1,840,381	1,185,670	317,994	208,425	—	9,914	13,608	
Individuals	14,111	2,201	44,863	11,809	11,809	1,127	—	9,914	—	
Corporations	2,093	153,667	1,727,538	1,125,325	301,524	200,425	—	—	5,629	
Jersey	428	2,977	12,680	2,584	9,555	2	—	—	8	
Individuals	428	2,977	12,680	2,584	9,555	2	—	—	8	
Corporations	—	—	—	—	—	—	—	—	—	
Jordan	53	92	351	128	220	—	—	—	—	
Individuals	53	92	351							

## Foreign Recipients of U.S. Income, 1985

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid						Parapaid income
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Foreign income	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Singapore	3,621	1,194	93,378	39,276	36,759	92	115	179	
Individuals	3,278	709	3,514	1,051	2,386	90	115	179	
Corporations	114	397	75,487	18,808	34,057	2	—	—	
South Africa	2,432	1,282	5,173	933	1,870	337	472	—	
Individuals	2,225	833	3,583	340	1,053	169	472	726	
Corporations	49	169	601	95	461	34	—	725	
South Korea	650	311	3,408	649	1978	94	—	—	
Individuals	560	128	1,971	119	216	(1)	94	—	
Corporations	34	64	483	100	370	—	—	1,108	
Spain	8,155	5,469	41,800	20,241	6,360	1,199	11,524	1,543	
Individuals	7,485	3,338	18,072	1,058	2,811	197	11,524	1,628	
Corporations	165	1,701	16,777	13,545	2,754	322	—	—	
Sweden	8,358	7,784	86,667	9,858	52,340	2,868	11,478	12	
Individuals	7,896	4,066	25,579	1,493	2,558	228	11,478	7,308	
Corporations	181	3,302	55,917	7,355	48,391	2,060	—	7,251	
Switzerland	21,683	98,322	1,288,858	595,145	538,115	67,558	3,685	4	
Individuals	10,739	7,420	76,471	21,490	28,019	5,513	3,685	4,048	
Corporations	3,340	65,072	990,842	538,033	356,399	60,820	—	1,158	
Taiwan	1,808	799	5,312	2,020	1,437	24	157	—	
Individuals	1,551	716	3,650	1,433	1,297	24	157	—	
Corporations	25	62	310	250	35	—	—	65	
Thailand	794	259	1,381	344	290	644	—	31	
Individuals	691	225	1,509	63	278	644	—	30	
Corporations	10	27	672	505	55	—	—	—	
Trinidad and Tobago	787	296	11,671	9,614	175	163	1,571	—	
Individuals	714	285	6,129	4,108	139	163	1,571	—	
Corporations	13	8	884	858	26	—	—	35	
United Arab Emirates	740	201	269,038	229,104	39,915	5	1	—	
Individuals	649	165	589	282	294	—	—	—	
Corporations	16	22	258,212	218,822	39,590	—	—	—	
United Kingdom	135,496	171,293	2,834,161	918,691	1,651,616	154,193	31,082	27,183	
Individuals	96,008	12,529	184,994	56,125	45,097	13,555	31,082	23,722	
Corporations	11,815	84,016	1,795,348	772,022	860,478	125,298	—	2,810	
Uruguay	1,106	706	1,795,348	5,338	3,283	608	316	—	
Individuals	687	241	2,299	1,194	2,065	317	91	44	
Corporations	89	310	1,850	789	968	(1)	—	1	
Venezuela	5,876	2,310	21,217	12,838	5,884	939	877	222	
Individuals	5,095	1,756	13,923	7,594	4,483	337	877	208	
Corporations	183	350	3,650	5,038	2,259	591	—	—	
West Germany	54,623	57,361	937,931	454,617	320,936	72,628	30,159	10,601	
Individuals	45,432	14,214	131,649	29,294	38,524	8,214	30,159	10,338	
Corporations	1,627	30,095	683,489	397,594	206,054	57,291	—	62	
Yugoslavia	3,862	2,030	14,085	1,731	407	112	11,651	130	
Individuals	3,771	1,932	12,550	167	174	—	—	—	
Corporations	13	50	166	40	121	2	—	—	
Other Countries	38,672	14,923	232,348	61,106	92,631	7,342	43,838	6,871	
Individuals	31,312	9,545	76,767	8,284	10,131	—	43,838	6,474	
Corporations	1,353	1,938	115,009	50,111	70,500	6,645	—	8	

1 Less than \$500

## Foreign Recipients of U.S. Income, and Tax Withheld, 1986

Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries

(Money amounts are in thousands of dollars)

Country or geographic area	Number of Forms 1042S	Income paid			Tax withheld		
		Total	Exempt from withholding	Subject to withholding	Total	By domestic withholding agents	By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	1,078,088	21,814,442	12,580,633	9,233,809	1,223,741	1,152,917	70,824
Treaty countries, total	798,743	19,210,626	10,833,874	8,278,752	1,007,850	937,006	70,824
Australia	17,130	167,901	90,007	77,894	11,652	—	—
Austria	4,570	37,773	20,741	17,033	2,681	2,681	—
Belgium	12,227	1,161,303	1,082,650	78,653	13,630	12,012	1,618
Canada	349,378	2,436,500	1,886,281	750,219	107,746	107,746	—
Denmark	3,258	53,499	22,132	31,367	2,868	2,861	5
Egypt	712	1,932	960	972	173	173	—
Finland	1,199	21,830	13,897	7,933	775	775	—
France	22,365	810,842	344,890	465,952	48,515	48,505	465
Germany	15,645	41,483	7,180	34,323	5,766	5,766	—
Greece	8,415	34,200	11,633	22,567	3,474	3,307	167
Ireland	33,776	190,414	73,075	117,339	8,519	8,519	—
Italy	2,094	6,438	1,129	5,309	774	774	—
Japan	14,144	2,668,405	711,593	1,956,812	227,056	227,056	—
Luxembourg	4,100	120,111	84,746	35,365	14,603	13,376	1,227
Netherlands	11,059	1,478,412	930,329	548,083	51,699	51,699	605
Netherlands Antilles	4,039	2,866,169	2,686,922	179,247	20,638	20,638	—
New Zealand	2,480	173,269	6,872	166,397	482	482	—
Norway	6,581	31,337	18,146	15,191	2,340	2,340	—
Philippines	29,981	79,435	4,649	74,786	11,393	11,393	—
Poland	2,817	12,629	2,460	10,169	1,500	1,500	—
South Africa	2,564	5,215	932	4,283	1,167	1,167	—
Sweden	9,244	87,385	21,449	65,936	8,693	8,693	—
Switzerland	37,292	1,587,487	465,475	1,122,012	195,759	131,519	65,240
Taiwan	1,023	5,025	2,710	2,315	361	361	—
United Kingdom	131,838	3,716,554	1,855,792	1,860,762	200,990	199,493	1,497
United States	67,018	1,192,063	795,251	396,812	61,074	61,074	—
West Germany	25,915	4,774	12,993	12,022	2,465	2,465	—
Other treaty countries	277,345	2,603,816	1,646,759	957,057	215,911	215,911	—
Nontreaty countries, total	289,345	2,603,816	1,746,759	856,759	215,890	215,890	—
Algeria	3,228	19,882	7,111	12,771	2,876	2,876	—
Bahamas	3,297	95,593	50,312	45,281	12,825	12,825	—
Barbados	686	6,696	3,243	3,453	651	651	—
Bermuda	2,058	177,085	107,327	70,358	20,542	20,542	—
Brazil	4,919	15,185	5,954	9,231	2,233	2,233	—
Cayman Islands	781	31,012	15,693	15,319	4,531	4,531	—
Hong Kong	1,637	126,513	112,239	14,274	4,183	4,183	—
Israel	14,761	123,874	63,426	60,448	16,977	16,977	—
Japan	670	17,142	5,374	11,768	2,635	2,635	—
Korea	1,616	53,749	43,821	9,928	3,224	3,224	—
Libya	660	35,126	16,994	18,132	2,911	2,911	—
Lebanon	1,776	34,899	15,226	19,673	5,829	5,829	—
Leichtenstein	84,261	247,956	60,331	187,625	32,992	32,992	—
Mexico	7,896	181,314	110,787	70,527	19,543	19,543	—
Portugal	7,007	21,087	1,932	19,155	3,000	3,000	—
Puerto Rico	5,461	13,599	11,242	2,317	560	560	—
Saudi Arabia	4,363	194,212	177,101	17,111	2,073	2,073	—
Singapore	5,437	137,687	133,388	4,299	1,258	1,258	—
Spain	9,593	40,251	26,125	5,976	1,245	1,245	—
Taiwan	2,252	25,277	20,257	5,020	409	409	—
United Arab Emirates	876	355,653	354,253	1,400	2,973	2,973	—
Venezuela	7,796	25,232	14,403	10,829	2,973	2,973	—
Other nontreaty countries	95,149	616,336	294,631	321,705	61,247	61,247	—

Foreign Recipients of U.S. Income, and Tax Withheld, 1986

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient  
(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Reins and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>All countries, total</b>	<b>1,076,088</b>	<b>1,152,917</b>	<b>21,814,442</b>	<b>11,780,561</b>	<b>6,506,988</b>	<b>1,191,662</b>	<b>768,668</b>	<b>513,452</b>
Individuals	814,418	202,493	2,092,217	1,262,694	533,345	89,906	768,668	163,594
Corporations	82,982	566,958	13,723,544	8,769,519	3,180,687	1,012,784	—	285,257
Argentina	8,228	2,076	19,882	7,801	4,517	220	3,200	2,573
Individuals	6,788	2,278	14,506	4,130	3,345	55	3,200	2,573
Corporations	355	336	1,935	1,307	346	70	—	2,609
Australia	17,130	11,652	167,901	70,308	46,461	13,403	3,566	27,210
Individuals	13,595	2,962	161,433	1,187	4,622	1,071	3,566	—
Corporations	1,156	3,598	98,972	63,850	11,842	7,713	3,566	4,577
Austria	4,570	2,681	37,773	17,702	11,311	529	3,004	12,261
Individuals	3,072	1,212	9,543	6,115	2,456	102	3,004	1,256
Corporations	1,156	1,067	22,438	14,635	6,396	307	—	1,198
Bahamas	3,237	12,825	95,533	49,530	39,742	9,953	676	25
Individuals	1,270	861	6,496	1,395	2,928	3,098	676	245
Corporations	1,065	5,133	32,797	16,426	14,081	2,114	676	183
Bahrain	482	910	19,543	16,944	2,378	175	—	48
Individuals	482	211	8,095	7,386	542	143	—	15
Corporations	48	381	5,424	4,153	1,211	32	—	12
Barbados	686	251	6,696	3,178	2,401	4	1,008	(1)
Individuals	537	646	2,231	629	484	4	1,008	4
Corporations	55	238	1,852	492	1,360	—	—	(1)
Belgium	12,227	12,012	1,161,303	1,097,235	40,359	12,823	1,764	2,936
Individuals	8,397	2,440	20,319	2,567	9,750	6,112	1,764	—
Corporations	1,190	5,718	59,722	35,647	11,415	12,344	—	2,936
Bermuda	2,059	20,542	177,695	77,333	47,457	21,810	477	7,574
Individuals	1,021	10,211	10,222	1,288	7,256	2	477	—
Corporations	439	12,121	114,746	43,455	23,953	17,703	—	7,574
Borneo	647	181	2,103	1,384	534	17	5,105	—
Individuals	454	145	939	335	445	(1)	149	2
Corporations	21	9	685	628	12	16	—	—
Brazil	4,918	2,233	15,185	5,968	3,245	403	2,820	1,683
Individuals	3,897	1,640	11,262	3,529	2,207	403	2,820	1,683
Corporations	229	3,653	1,909	1,389	396	107	—	1,472
British Virgin Islands	781	4,531	31,012	15,583	4,779	10,605	21	2
Individuals	292	114	4,045	1,530	29	29	—	2
Corporations	258	4,045	27,031	13,134	10,575	10,575	—	—
Canada	348,378	107,746	2,436,500	1,074,545	863,870	115,076	371,355	50,680
Individuals	280,599	25,531	370,313	23,718	66,837	15,931	171,351	25,437
Corporations	20,988	1,020	1,943,796	929,542	546,871	70,599	—	11,657
Cayman Islands	1,637	4,183	126,513	103,442	10,989	54	409	—
Individuals	413	1,200	6,355	6,355	1,793	54	409	—
Corporations	865	1,985	55,655	38,203	6,148	260	—	10,976
Chile	2,114	809	4,551	3,119	1,808	1,064	338	(1)
Individuals	121	106	839	504	199	—	—	—
Corporations	1,573	942	5,659	3,615	1,909	1,064	338	(1)
China	1,200	1,028	7,154	1,298	1,392	64	—	—
Individuals	121	106	839	504	199	—	—	—
Corporations	1,079	912	6,315	794	1,193	64	—	—
Colombia	5,903	1,442	13,297	7,063	3,038	103	3	3
Individuals	4,542	1,049	8,558	3,712	1,870	107	2,445	71
Corporations	265	173	1,875	1,300	1,168	79	—	10
Costa Rica	2,152	854	6,798	2,291	1,539	65	2,533	191
Individuals	1,805	753	4,766	1,770	1,056	59	2,533	180
Corporations	91	32	2,118	80	6	6	—	11
Czechoslovakia	1,163	962	5,361	330	57	276	3,701	982
Individuals	1,121	962	4,966	301	57	11	3,701	883
Corporations	14	57	395	29	3	25	—	99
Denmark	3,298	2,861	53,499	17,059	26,570	3	4,422	3,426
Individuals	2,838	879	6,649	450	349	789	—	789
Corporations	1,155	1,982	46,850	16,609	26,221	—	4,422	3,426
Dominican Republic	3,070	1,213	30,374	5,636	20,500	4,026	—	183
Individuals	2,894	1,093	8,927	1,624	642	47	6,506	205
Corporations	20	5	33	38	15	38	6,506	149
Ecuador	2,134	735	6,456	1,811	769	67	—	147
Individuals	1,808	644	4,835	1,020	521	117	2,916	139
Corporations	30	22	449	31	44	374	—	454
Egypt	712	173	1,932	684	514	15	26	423
Individuals	549	155	1,776	643	433	15	26	423
Corporations	87	72	181	29	29	—	—	—
El Salvador	867	575	3,968	1,581	461	50	892	14
Individuals	766	248	1,923	522	344	48	892	6
Corporations	13	310	1,034	1,000	34	—	—	—
Finland	1,199	775	21,830	10,641	5,224	121	1,699	703
Individuals	1,039	406	3,660	222	150	21	2,018	648
Corporations	45	25	8,337	9,222	4,611	71	—	62,279
France	22,222	48,006	810,560	262,999	308,038	111,330	9,430	18,104
Individuals	14,891	8,497	63,259	6,401	15,707	0,430	—	—
Corporations	7,331	21,259	776,801	256,598	292,331	107,900	9,430	18,104
Greece	15,645	5,766	576,675	233,003	159,312	101,415	—	43,498
Individuals	14,776	5,214	521,452	243,110	159,312	138	29,403	953
Corporations	190	220	2,417	1,893	673	10	29,403	953

Footnote at end of table.

Foreign Recipients of U.S. Income, and Tax Withheld, 1986

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued  
(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Reins and royalties	Social security and railroad retirement	Personal service
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Guatemala	1,850	511	3,971	1,431	1,020	173	922	275
Individuals	1,525	454	3,334	1,075	863	173	922	266
Corporations	64	25	245	198	47	61	—	(1)
Guernsey	(167)	2,200	10,112	2,727	7,291	60	—	—
Individuals	35	156	598	200	399	248	—	—
Corporations	73	418	5,082	2,230	2,792	60	—	—
Honduras	666	334	827	199	819	24	983	233
Individuals	666	334	1,797	156	373	12	983	233
Corporations	—	—	184	—	—	—	—	—
Hong Kong	14,761	16,977	123,874	62,230	47,311	1,715	4,957	1,715
Individuals	1,208	6,978	55,465	29,988	1,229	484	4,957	792
Corporations	2,121	938	9,519	2,305	1,388	39	—	—
India	1,640	70	7,062	1,445	622	31	562	265
Individuals	91	54	700	273	127	3	—	20
Corporations	1,549	16	6,362	1,172	495	28	562	245
Indonesia	658	199	735	7,230	5,928	775	35	25
Individuals	116	482	5,908	5,709	736	35	25	159
Corporations	1,020	316	1,706	649	916	19	6	32
Israel	277	1,582	649	788	19	6	32	—
Individuals	11	(1)	1	—	—	—	—	—
Corporations	8,415	3,307	9,374	13,683	1,212	7,955	1,751	
Ireland	7,745	1,631	14,169	3,708	1,018	37	—	152
Individuals	160	999	15,197	7,579	7,394	37	—	152
Corporations	6,844	2,635	17,142	5,559	3,354	655	—	3,550
Italy	4,694	2,013	12,120	2,483	1,903	353	3,550	1,418
Individuals	251	142	2,461	1,916	1,263	263	—	7
Corporations	33,776	8,159	19,414	58,866	22,404	12,602	81,168	7,469
Japan	31,758	5,831	108,827	3,183	6,872	5,047	81,168	5,277
Individuals	398	671	63,827	53,668	4,200	5,047	—	468
Corporations	2,094	774	6,438	654	715	68	4,414	164
Jamaica	1,943	698	5,401	197	241	58	4,414	115
Individuals	34	649	244	94	9	—	—	—
Corporations	14,144	227,095	2,868,405	1,742,048	380,256	292,749	10,111	119,713
Jersey	9,670	3,096	53,451	3,985	12,643	—	—	8,183
Individuals	2,509	204,810	2,382,247	1,594,446	279,134	275,225	—	106,054
Corporations	670	324	17,896	7,881	10,118	65	—	1
Individuals	96	386	654	3	57	—	—	—
Corporations	145	1,282	7,772	4,114	3,601	63	5	89
Kuwait	1,616	2,911	53,749	45,176	8,259	63	5	102
Individuals	1,248	64						

Foreign Recipients of U.S. Income, and Tax Withheld, 1986

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued  
(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Social security and railroad retirement	Penalty, where applicable
			Total	Interest	Dividends	Rents and royalties	Other		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Philippines	29,981	11,383	79,435	2,013	2,221	58	66,423	1,949	
Individuals	28,803	11,223	76,349	1,666	1,694	51	68,423	1,949	
Corporations	284	78	380	167	161	7	—	—	
Portugal	7,007	3,000	21,087	1,499	823	95	17,900	241	
Individuals	6,750	2,904	19,269	1,350	617	67	15,900	241	
Corporations	83	16	1,818	149	206	28	1,500	—	
Puerto Rico	5,461	560	13,559	5,289	27	3	—	95	
Individuals	225	120	340	340	146	15	785	6,102	
Corporations	4,615	397	12,126	4,949	808	18	—	—	
Saudi Arabia	4,363	2,073	9,869	3,784	96	124	—	—	
Individuals	3,395	1,327	184,212	153,227	25,515	100	18	5,884	
Corporations	968	706	7,906	2,308	17	10	—	3,540	
Singapore	106	289	56,803	38,873	19,856	80	18	818	
Individuals	4,698	1,258	137,687	77,398	54,838	145	145	281	
Corporations	211	408	1,801	701	1,801	88	145	282	
South Africa	2,564	1,167	1,179	1,179	1,179	16	—	—	
Individuals	2,168	924	4,821	1,531	1,531	376	—	144	
Corporations	69	543	3,801	317	1,061	95	488	1,298	
South Korea	856	739	3,011	288	119	119	488	1,298	
Individuals	701	543	7,333	2,281	119	5	80	2,076	
Corporations	155	238	3,438	143	733	—	—	—	
Spain	8,593	228	2,543	1,170	1,320	(1)	80	—	
Individuals	8,354	5,976	48,251	13,882	9,259	1,924	11,612	331	
Corporations	268	3,985	22,674	4,893	652	—	11,612	1,327	
Sweden	8,244	1,485	10,101	6,007	1,462	—	—	—	
Individuals	5,529	8,693	87,385	20,835	40,824	4,446	11,144	112	
Corporations	220	3,967	25,458	869	1,540	895	11,144	9,511	
Switzerland	37,292	131,519	1,587,467	622,739	35,858	2,135	—	30	
Individuals	11,692	8,341	96,123	38,184	14,444	3,785	3,785	19,445	
Corporations	15,527	63,959	46,823	8,795	749,490	134,359	3,785	9,200	
Taiwan	2,252	1,245	975,261	480,908	349,661	124,684	—	16,013	
Individuals	1,722	736	4,001	1,140	1,855	12	152	415	
Corporations	530	509	971,260	479,768	347,806	124,672	—	16,013	
Thailand	54	365	6,902	6,244	580	12	152	288	
Individuals	742	273	2,295	935	423	70	620	77	
Corporations	908	223	1,277	172	11	179	1,760	65	
Trinidad and Tobago	17	26	185	332	68	68	820	14	
Individuals	1,023	361	5,025	2,622	249	2	—	1	
Corporations	908	338	2,493	173	169	179	1,760	106	
United Arab Emirates	876	409	355,653	176	34	—	—	(1)	
Individuals	755	322	1,293	682	20	5	—	(1)	
Corporations	22	53	752	80	20	5	—	(1)	
United Kingdom	131,838	189,433	3,716,554	1,426,384	1,891,077	221,692	33,367	67,204	
Individuals	85,195	13,848	177,357	39,032	461,111	13,124	33,367	67,204	
Corporations	11,885	69,783	2,252,754	1,242,615	755,351	193,895	—	32,558	
Uruguay	1,518	876	7,022	3,716	2,813	208	78	20	
Individuals	895	321	1,861	584	903	191	78	—	
Corporations	158	212	3,070	2,306	842	328	—	—	
Venezuela	7,796	2,973	25,232	10,331	16	16	918	543	
Individuals	5,772	1,738	12,288	4,453	4,882	328	918	497	
Corporations	389	465	13,944	5,878	1,006	2,655	—	—	
West Germany	67,018	61,074	1,182,953	542,232	450,554	97,713	30,866	36,397	
Individuals	45,470	10,486	141,385	38,283	32,406	10,952	30,866	14,717	
Corporations	2,219	20,447	774,352	433,925	235,235	75,484	—	15,824	
Yugoslavia	3,377	2,048	13,110	295	339	51	11,797	146	
Individuals	3,734	1,980	12,800	208	167	41	11,797	108	
Corporations	33	11	37	35	2	—	—	—	
Other countries	61,360	43,539	468,545	183,826	195,693	5,263	41,271	25,529	
Individuals	42,598	10,955	116,818	40,521	16,843	1,946	41,271	25,529	
Corporations	3,759	19,989	228,687	82,029	113,965	2,094	—	11,974	

1 Less than \$500

Foreign Recipients of U.S. Income, and Tax Withheld, 1987

Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries  
(Money amounts are in thousands of dollars)

Country or geographic area	Number of Forms 1042S	Income paid			Tax withheld	
		Total	Exempt from withholding	Subject to withholding	Total	By foreign government and withholding agents
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Treaty countries, total	1,081,571	22,748,677	12,329,619	10,419,057	1,431,074	1,307,308
Australia	763,272	19,899,575	10,447,512	9,452,065	1,202,058	1,078,295
Canada	20,095	187,160	83,533	103,627	16,738	16,738
Denmark	11,354	30,993	18,652	12,341	2,002	2,002
Egypt	315,000	999,299	917,917	81,422	15,181	11,650
France	1,742,873	1,113,341	629,532	92,479	1,156	1,153
Germany	3,251	30,606	22,856	7,750	135	135
Greece	1,214	2,371	1,565	806	654	654
India	2,254	36,550	29,753	6,797	41,158	608
Italy	850,479	263,742	429,737	41,766	5,834	5,834
Japan	15,553	40,907	6,555	34,353	2,644	2,644
Korea	26,931	10,943	158,711	55,377	7,007	7,007
Malaysia	34,770	244,089	188,711	55,378	806	806
Netherlands	4,646,485	1,919,955	2,544,530	286,778	15,495	12,968
Netherlands Antilles	114,023	62,200	51,823	891	891	891
New Zealand	6,910	42,328	28,175	16,153	2,528	2,528
Norway	29,601	77,377	4,002	73,375	11,722	11,722
Philippines	8,129	15,642	3,310	10,332	1,517	1,517
Poland	8,129	140,908	52,929	87,979	7,449	7,449
Sweden	36,885	1,657,933	596,664	1,061,269	243,022	129,349
Switzerland	1,032	3,112	948	2,165	353	353
United Kingdom	127,378	4,267,678	2,268,615	2,432,205	244,235	241,201
United States	70,733	1,318,499	743,237	573,262	88,396	88,396
West Germany	13,237	82,930	63,182	36,110	3,610	3,610
Other treaty countries	298,299	2,849,102	1,682,107	966,989	229,013	229,013
Nontreaty countries, total	8,661	22,061	8,682	13,379	2,851	2,851
Argentina	3,630	132,564	75,249	57,316	16,425	16,425
Bahamas	172	7,539	3,748	3,792	628	628
Barbados	138,799	69,627	68,172	20,497	2,334	2,334
Bermuda	19,844	9,286	10,558	7,027	7,027	7,027
Brunei	119,028	119,028	24,750	5,210	5,210	5,210
British Virgin Islands	956	36,378	11,028	18,453	18,453	18,453
Cayman Islands	2,091	137,604	10,073	70,500	19,626	19,626
Hong Kong	16,725	171,123	11,883	12,305	2,623	2,623
Israel	8,650	23,988	11,883	12,305	4,681	4,681
Jersey	492	25,559	8,774	16,785	3,161	3,161
Kuwait	1,418	182,769	172,168	9,617	2,794	2,794
Liberia	926	25,232	15,675	9,557	4,530	4,530
Liechtenstein	1,736	27,294	12,072	15,222	3,781	3,781
Monaco	90,070	278,221	70,580	207,642	26,789	26,789
Panama	8,180	219,722	126,458	91,264	30,555	30,555
Portugal	7,021	22,143	5,647	19,495	5,780	5,780
Puerto Rico	6,431	11,333	5,553	5,780	2,082	2,082
Saudi Arabia	4,492	146,185	139,066	7,118	1,689	1,689
Singapore	6,800	154,882	149,081	5,800	1,203	1,203
South Africa	2,777	7,285	2,784	4,500	5,607	5,607
Spain	9,732	48,554	22,735	25,819	1,390	1,390
United Arab Emirates	5,002	41,264	35,129	6,135	468	468
Venezuela	682	313,954	312,379	13,576	5,238	5,238
Other nontreaty countries	8,142	33,426	13,890	19,437	50,380	50,380
Total	96,921	621,319	390,909	240,410	—	—

Note: Totals may not add to totals due to rounding.

Foreign Recipients of U.S. Income, and Tax Withheld, 1987

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Personal services
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
All countries, total	1,081,571	1,307,308	22,748,677	11,383,656	8,031,076	1,186,225	792,748	405,617
Individuals.....	856,634	220,996	2,156,416	310,634	513,107	73,244	792,748	189,419
Corporations.....	80,150	691,723	14,212,190	8,384,626	4,321,969	1,027,605	—	191,989
Argentina.....	8,661	2,851	22,061	9,848	4,015	181	3,509	—
Individuals.....	1,258	2,310	15,906	5,122	3,430	116	3,509	1,739
Corporations.....	114	120	2,604	2,416	30	30	—	1,192
Australia.....	20,095	18,738	187,166	85,186	60,675	16,551	3,847	—
Individuals.....	18,981	5,849	29,403	1,051	5,851	1,559	3,847	16,100
Corporations.....	1,114	12,889	157,763	84,135	55,824	15,000	—	1,397
Austria.....	4,831	2,002	101,432	79,989	14,967	7,496	—	13,189
Individuals.....	3,363	1,059	9,743	605	1,937	449	—	2,464
Corporations.....	323	676	12,227	4,419	3,703	1,847	—	1,584
Bahamas.....	3,693	18,425	132,564	65,814	52,427	1,488	643	22
Individuals.....	1,738	13,673	4,579	—	—	—	—	—
Corporations.....	1,260	7,462	64,438	22,819	22,819	5	643	22
Bahrain.....	425	737	12,047	7,891	3,824	52	—	—
Individuals.....	224	168	594	10	258	—	—	15
Corporations.....	201	569	11,553	7,881	3,566	52	—	15
Barbados.....	656	828	7,753	5,414	2,167	—	—	—
Individuals.....	521	323	7,339	3,196	3,006	—	995	3
Corporations.....	72	480	3,661	1,489	1,489	—	995	3
Belgium.....	11,304	11,680	999,399	931,627	39,806	15,244	4,142	1
Individuals.....	9,006	1,973	17,697	3,946	4,132	374	1,815	3,705
Corporations.....	1,142	4,938	64,958	36,849	12,003	14,780	4,142	3,705
Bermuda.....	2,388	20,497	138,799	61,844	8,245	473	417	31
Individuals.....	1,278	912	5,107	2,463	61	473	273	60
Corporations.....	550	89,538	133,692	59,381	8,245	473	273	60
Bolivia.....	654	217	11,432	89,538	43,632	38,477	6,381	283
Individuals.....	574	196	2,063	1,343	408	—	144	15
Corporations.....	19	1	189	159	—	—	—	13
Brazil.....	5,457	2,334	19,444	8,605	3,030	313	2,964	2,143
Individuals.....	4,858	1,802	13,945	4,068	2,376	221	2,964	1,815
Corporations.....	117	194	1,305	1,114	69	—	—	14
British Virgin Islands.....	656	7,027	36,378	6,481	10,156	17,843	—	—
Individuals.....	482	327	1,496	342	1,070	42	—	—
Corporations.....	520	6,500	32,542	4,368	9,086	17,801	—	—
Canada.....	315,930	92,479	1,742,875	750,627	571,536	70,749	180,594	47,689
Individuals.....	257,841	21,225	357,008	22,820	63,637	13,731	180,594	21,832
Corporations.....	18,082	53,610	996,746	562,658	300,777	47,540	—	23,533
Cayman Islands.....	2,091	5,210	137,604	107,502	16,555	623	357	425
Individuals.....	487	412	3,743	3,712	97	30	357	425
Corporations.....	1,323	3,724	89,434	13,712	1,562	563	—	—
Chile.....	3,168	983	9,190	4,890	1,736	121	1,161	300
Individuals.....	2,715	729	5,943	2,181	1,350	61	1,161	277
Corporations.....	1,198	1,098	1,593	1,361	178	50	—	—
China.....	5,389	942	32,455	17,789	4,790	9	58	18,347
Individuals.....	5,206	419	28,304	850	347	3	58	17,848
Corporations.....	24	1,915	1,289	3	1	—	465	65
Colombia.....	5,740	1,497	13,769	6,532	2,937	185	2,571	167
Individuals.....	5,083	70	10,358	4,192	2,402	95	2,571	167
Corporations.....	127	1,427	3,411	1,344	535	90	—	4
Costa Rica.....	2,608	856	10,275	2,707	1,136	72	2,543	145
Individuals.....	2,052	754	1,309	804	72	—	64	65
Corporations.....	119	1,102	8,966	903	1,064	72	2,543	80
Czechoslovakia.....	1,155	1,041	1,186	848	236	—	—	78
Individuals.....	1,092	917	4,679	1,024	47	213	3,392	745
Corporations.....	2	79	2	—	2	—	—	—
Denmark.....	3,251	1,153	30,606	16,622	2,594	5,386	840	75
Individuals.....	2,879	830	8,583	5,353	970	131	3,387	620
Corporations.....	152	143	13,304	6,654	979	4,950	631	231
Dominican Republic.....	3,224	1,162	8,589	558	329	26	6,720	26
Individuals.....	3,055	1,137	7,696	248	294	18	6,720	189
Corporations.....	36	6	150	129	13	2	—	1
Ecuador.....	2,257	856	793	793	437	7	2,998	337
Individuals.....	2,085	785	598	1,291	598	303	2,998	386
Corporations.....	17	71	248	137	137	—	—	—
Egypt.....	1,214	155	2,371	683	589	15	27	208
Individuals.....	1,117	118	2,100	493	118	14	27	208
Corporations.....	31	2	89	46	46	—	—	—
El Salvador.....	1,145	333	3,924	924	486	54	934	11
Individuals.....	934	299	2,813	881	377	54	934	11
Corporations.....	20	21	71	2	89	—	—	—
Finland.....	1,254	654	38,560	22,802	4,555	925	1,965	3,337
Individuals.....	1,133	412	4,497	997	213	100	1,965	631
Corporations.....	49	219	12,857	5,058	4,190	752	—	2,702
France.....	22,343	41,115	693,479	214,397	279,786	128,921	9,503	13,466
Individuals.....	15,320	7,825	83,016	34,196	48,501	8,691	9,593	13,466
Corporations.....	2,624	19,534	461,690	185,905	288,400	107,997	—	—
Greece.....	15,553	5,624	40,907	2,658	3,584	127	29,038	127
Individuals.....	14,860	5,189	38,136	1,378	2,310	113	29,038	123
Corporations.....	150	274	4	2,011	1,053	63	—	—
Guatemala.....	3,116	600	1,502	923	173	—	1,129	892
Individuals.....	1,901	516	3,899	1,221	686	164	1,129	234
Corporations.....	71	49	485	311	170	3	—	—
Guatemala.....	475	3,178	15,617	4,861	10,147	113	—	—
Individuals.....	138	156	542	143	274	109	—	—

Foreign Recipients of U.S. Income, and Tax Withheld, 1987

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Social security and railroad retirement	Personal services
			Total	Interest	Dividends	Rents and royalties			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Corporations.....	66	1,187	8,727	4,174	4,070	3	—	987	
Honduras.....	1,088	453	5,454	554	478	69	—	987	
Individuals.....	19	426	4,452	455	396	12	—	381	
Corporations.....	17,125	19,626	171,123	102,815	54,093	3,547	—	4,703	
Hong Kong.....	13,165	7,273	42,553	15,043	19,958	774	—	602	
Individuals.....	1,388	6,886	88,434	60,997	22,839	2,766	—	795	
Corporations.....	3,071	1,372	11,898	2,494	1,721	394	—	588	
Individuals.....	2,718	1,170	6,504	280	102	1	—	421	
Corporations.....	35	41	2,634	823	46	—	—	1	
Indonesia.....	1,393	552	11,347	8,391	1,146	20	—	32	
Individuals.....	1,223	306	2,866	371	747	—	—	490	
Corporations.....	33	184	7,903	7,833	1,571	18	—	205	
Iran.....	1,241	512	2,977	277	2,050	—	—	203	
Individuals.....	1,154	277	2,050	666	806	18	—	—	
Corporations.....	14	221	751	13	700	—	—	1,193	
Ireland.....	8,374	2,517	26,531	8,055	7,758	517	7,865	761	
Individuals.....	15	1,577	12,853	601	1,283	331	7,865	761	
Corporations.....	18	3,005	13,678	636	601	—	—	222	
Individuals.....	125	104	2,623	7,377	636	601	—	2,063	
Corporations.....	6,850	2,065	23,988	10,178	3,649	681	—	3,472	
Israel.....	5,849	2,142	13,729	2,065	577	—	—	3,472	
Individuals.....	196	234	7,074	8,032	738	—	—	1,622	
Corporations.....	34,770	7,007	244,098	87,120	33,658	20,863	65,889	6,829	
Italy.....	33,283	2,427	108,813	2,737	5,346	1,721	5,889	1,118	
Individuals.....	302	2,087	106,623	73,923	14,330	18,222	—	128	
Corporations.....	679	307	6,794	307	72	4,808	—	124	
Jamaica.....	2,092	755	5,909	134	390	—	—	4,606	
Individuals.....	27	43	302	65	237	—	—	—	
Corporations.....	23,476	280,718	4,484,485	888,368	353,987	10,175	63,109	83,100	
Japan.....	2,957	2,700	51,066	4,249	5,399	394	—	71,447	
Individuals.....	492	4,681	25,559	9,979	15,517	6	—	12	
Corporations.....	100	107	25,559	195	258	—	—	6	
Jersey.....	153	1,814	7,532	982	34	—	—	39	
Individuals.....	14	1,814	182,769	131,344	50,810	617	—		

## Foreign Recipients of U.S. Income, and Tax Withheld, 1987

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Social security and railroad retirement	Personal service
			Total	Interest	Dividends	Rents and royalties			
			(3)	(4)	(5)	(6)	(7)		
Corporations	100	179	33,589	7,629	25,890	—	—	—	
Singapore	6,800	1,689	154,882	94,201	55,982	112	145	80	
Individuals	5,975	618	3,083	685	1,591	102	145	1,901	
Corporations	264	781	9,295	3,572	1,970	5	—	154	
South Africa	2,777	1,203	7,285	527	1,226	741	500	1,694	
Individuals	2,479	919	6,064	311	1,010	401	500	1,690	
Corporations	47	103	357	102	108	142	—	1,429	
South Korea	1,511	975	9,638	800	3,959	7	100	5	
Individuals	1,422	179	5,372	119	333	7	100	3,161	
Corporations	47	451	4,139	472	3,580	—	—	2,998	
Spain	9,732	5,607	48,554	20,956	5,822	2,561	11,656	3,120	
Individuals	8,922	3,876	24,780	3,137	3,662	274	11,656	1,819	
Corporations	306	971	18,127	15,839	170	1,456	—	531	
Sweden	8,129	7,449	140,908	27,262	77,703	7,442	10,796	10,902	
Individuals	7,478	4,981	34,876	636	9,399	584	6,632	10,086	
Corporations	1,808	1,808	95,783	22,563	64,617	6,632	10,796	10,086	
Switzerland	12,299	129,348	1,667,933	708,702	742,832	115,816	4,015	382	
Individuals	15,911	63,800	6,890	20,903	26,582	2,978	4,015	3,159	
Corporations	5,002	1,390	1,032,369	571,005	346,650	109,280	—	16,933	
Taiwan	4,735	1,030	41,264	33,359	3,147	2,385	24	144	
Individuals	61	279	8,985	3,147	2,385	24	144	2,217	
Corporations	1,071	279	4,692	3,883	597	2	—	162	
Thailand	978	312	4,980	2,07	367	456	539	99	
Individuals	22	17	392	378	13	—	—	99	
Corporations	1,032	353	3,112	583	152	179	1,885	—	
Trinidad and Tobago	966	346	2,726	221	130	179	1,885	113	
Individuals	22	4	336	323	13	4	—	—	
United Arab Emirates	682	466	313,954	156,946	158,815	4	—	—	
Corporations	574	204	1,522	77	627	4	7	—	
Individuals	25	224	1,295	162	749	—	—	—	
United Kingdom	127,378	241,202	4,267,678	1,509,557	2,348,049	177,013	34,719	79,855	
Individuals	80,784	13,718	170,311	19,220	45,800	15,970	34,719	33,667	
Corporations	11,156	94,790	2,696,907	1,312,828	1,175,184	128,908	—	40,885	
Uruguay	2,115	1,236	11,105	7,027	2,831	223	115	112	
Individuals	318	491	3,816	1,676	1,149	209	115	91	
Corporations	8,142	5238	33,426	22,692	6,811	1	—	—	
Venezuela	6,853	2,043	14,572	6,653	4,479	271	906	448	
Individuals	358	295	4,064	533,305	145,895	8,016	—	363	
Corporations	59,007	30,499	282,848	59,162	370,116	60,958	—	2,227	
West Germany	70,733	88,396	1,316,499	59,162	370,116	60,958	—	2,227	
Individuals	2,608	47,619	917,167	467,882	260	102	11,356	181	
Corporations	3,990	2,483	15,983	169	294	86	—	4	
Yugoslavia	3,857	2,175	13,983	169	294	86	—	4	
Individuals	22	23	91	—	77	—	—	—	
Other Countries	61,163	32,002	487,776	219,012	150,008	9,432	43,708	8,848	
Individuals	48,359	12,281	125,236	14,124	18,144	1,363	43,708	8,701	
Corporations	2,436	10,754	219,263	200,404	71,260	7,122	—	1,471	

1 Less than \$500

Note: detail may not add to totals due to rounding.

## Foreign Recipients of U.S. Income, 1988

By John J. Bradford\*

During 1988, the amount of U.S. source income paid to foreign "persons" rose dramatically. This was the result of record inflows of foreign direct investment into the United States, strong net foreign purchases of U.S. bonds, and large inflows of foreign capital to U.S. banks to meet the surge in credit demand. The total amount of income paid to foreigners exceeded \$31.8 billion during 1988, a 40 percent increase from the previous year. U.S. taxes withheld on this income rose 30 percent to \$1.7 billion.

Payments to Japanese recipients increased nearly 89 percent from 1987 to a total of \$8.4 billion. This represented more than 26 percent of the total income paid. Residents of the United Kingdom received \$4.8 billion in payments during 1988, an increase of 13 percent. Canadian recipients received nearly 81 percent more than in 1987, \$3.1 billion. Payments to these three nations constituted more than half of the total.

## BACKGROUND INFORMATION

The Internal Revenue Code imposes a 30 percent withholding tax on dividends, interest, royalties, and various types of fixed, determinable, annual, or periodic income paid to foreign persons [1]. When the withholding tax was first introduced in 1936, the statutory rate was 10 percent. The House Ways and Means Committee had rejected a possible 22.5 percent rate as a deterrent to foreign investment. The statutory rate was raised to 30 percent during World War II for the purpose of generating revenue for the war effort. The former rate has never been restored by Congress [2].

Over the years, the required amount of withholding has been modified for certain types of income. In fact, during 1988, less than 6 percent of all income paid was subject to the statutory rate of withholding. Some types of income have been exempted from withholding altogether. For example, the Deficit Reduction Act of 1984 expanded the interest exemption beyond bank deposit interest to include portfolio interest payments made to foreign per-

sons. This exemption was effective for all qualified debt issues made after July 18, 1984. The Act was intended to reduce borrowing through tax haven countries, and to encourage U.S. corporations to borrow foreign funds through direct Eurobond placements [3]. The interest paid on these new issues was exempted from withholding tax regardless of the recipient's country of residence. The amounts, however, still must be reported on Forms 1042S, *Foreign Persons' U.S. Source Income Subject to Withholding*.

A second way that reduction in the statutory rate has occurred is through use of tax treaties. These have been negotiated between the United States and other countries resulting in a reduction of the rates at which residents of either country are to be taxed on certain classes of income earned in the other. They were developed as a means to avoid double taxation on this income. The "Tax Treaties" section of this article contains a further discussion of this subject.

Finally, it should be noted that any income that is "effectively connected" with a U.S. trade or business is exempted from the withholding of tax under these regulations. For this type of income, the foreign recipient is required to file a U.S. tax return (Form 1120F for foreign corporations and Form 1040NR for foreign individuals) which consolidates all U.S. source income for the tax year. Deductions may then be applied and taxation is at the same graduated rates which are applicable for other U.S. taxpayers. The income which is reported on Forms 1042S, however, is taxed at a flat rate on the gross amount of each payment.

Generally, the person who pays or conveys the U.S. source income to the foreign person is liable for the tax and must withhold. An authorized withholding agent may be appointed by the U.S. payer after notice of the appointment is given to the IRS. The Form 1042S is filed by the withholding agent and details information such as amount and type of income, country and type of recipient, and withholding rate and amount of withholding.

\*Foreign Returns Analysis Section. Prepared under the direction of Chris R. Carson, Chief.

During the 1980's, two other legislative changes relating to withholding on U.S. source income paid to foreigners were enacted. The Social Security Amendments of 1983 required U.S. tax withholding on certain benefits paid to foreign persons beginning in 1984. At the same time, the Railroad Retirement Act of 1937 was amended to require withholding on similar payments to foreigners made under that act.

### TAX TREATIES

Residents of certain foreign countries may be entitled to reduced rates, or exemption from taxation, under an applicable tax treaty between the recipient's country of residence and the United States [4]. Generally, the foreign residents must notify the withholding agent that they are residents of a country with which the United States has an income tax treaty and, therefore, they are entitled to the treaty benefits. In certain instances, however, benefits are granted solely on the basis of the recipient's address. Treaty exemptions or reduced rates vary according to country and type of income. If there is no applicable tax treaty and the income is not exempt from withholding, then tax is withheld at the statutory rate (generally 30 percent on most income types).

Tax treaties were developed as a means of avoiding double taxation of income earned in one country by a resident of another. Presumably, overall losses from reduced withholding taxes on payments to residents of treaty partners would be roughly offset by a reduction in the amount of foreign tax credit claimed by U.S. persons against their U.S. income taxes on payments received from the treaty nation. However, this sort of reciprocity is not necessarily present in all treaty relationships.

When U.S. source income is paid to a foreign nominee or fiduciary in a treaty country on behalf of a person not entitled to benefits under the treaty, additional withholding may be collected by the country in which the nominee is located. The purpose of this is to prevent residents of non-treaty countries from taking advantage of the lower withholding rates of treaty countries. The additional tax is held by the government or withholding agent until the ultimate recipient provides proof of residency in that country. If residency is not proven, this tax is remitted to the United States (as shown in Table 1, Column 7). These amounts are not recorded in Figures A and B or elsewhere in this article because they were not reported on Forms 1042S. An exception to this is made in the case of Canada which remits any additional withholding in the year in which it was received.

Figure A shows a comparison of the effective rates of

withholding on payments to recipients in treaty countries and those in non-treaty countries. The effective rate of taxation is the amount of taxes withheld as a percentage of total income paid. Both rates decreased slightly from 1987. The primary reason for this was that a higher proportion of the income paid to all recipients was in categories which were exempt from withholding. For purposes of this analysis, the Netherlands Antilles has been retained as a treaty nation despite the partial termination of the United States-Netherlands Antilles treaty beginning on January 1, 1988. The withholding rate on dividends and royalties jumped to 30 percent as of this date. However, the largest share of Antilles income was related-party interest and the provision of the treaty which exempted this income from withholding remained in force.

Figure A.—Total Income, Tax Withheld, and Effective U.S. Withholding Rates for Treaty and Nontreaty Countries, 1988.

(Money amounts are in thousands of dollars)

Treaty status	Total Income (1)	Tax withheld (2)	Effective U.S. tax rate (3)
All countries	\$31,845,694	\$1,705,499	5.36%
Treaty countries, total	27,968,124	1,419,881	5.27
Nontreaty countries, total	3,877,570	285,618	7.37

### TAX HAVENS

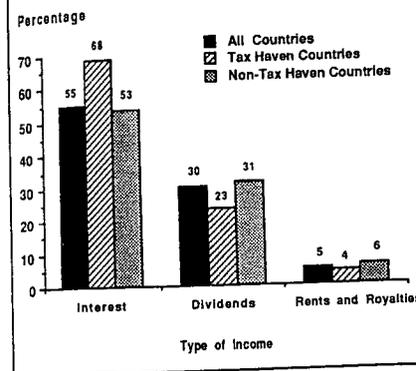
A tax haven is a nation which affords secrecy to investors and permits the accumulation of wealth without any significant burden of taxation. Some of the characteristics of tax havens include:

- Income taxes imposed at a lower rate than those of the countries whose taxpayers utilize it.
- Financial and commercial information kept confidential.
- Currency controls not imposed on foreign nationals.
- Low or zero withholding on most or certain classes of income paid to foreign recipients.

Tax haven countries typically benefit by imposing taxes at low rates or collecting certain fees, such as those from incorporation. Through the Deficit Reduction Act of 1984 and other legislation, Congress has attempted to limit the use of tax havens as a shelter to U.S. income taxes. Therefore, many treaties now deny benefits if those benefits flow through to residents of a third country (although a number of exceptions do exist) [5].

Figure B shows the percentages of selected income types paid to tax haven and non-tax haven countries compared to the total [6]. The higher percentage of interest income paid to the tax haven countries highlights their use as a source of funds for many U.S. corporations.

Figure B  
Percentage of Total Income Paid to Tax Haven and Non-Tax Haven Countries, by Selected Income Type, 1988



A practice which the United States has sought to curtail is "treaty shopping." Taxpayers sometimes are able to "shop" into benefits which would not normally be available to them. To this end, a taxpayer generally interposes a corporation in a country that has an advantageous tax treaty. For example, if there is no treaty directly between the United States and Spain but one exists between both countries and the Netherlands, then a Spanish resident could establish a Dutch entity. The Spanish capital invested in the Dutch company would be reinvested in the United States. U.S. treaty-benefitted income would flow to the Dutch company, and the subsequent payments from the Dutch subsidiary to the Spanish investor would benefit from the Netherlands-Spain treaty. Certain provisions have been developed to ensure that only legitimate recipients may be able to take advantage of treaty benefits [7].

### DATA HIGHLIGHTS

During 1988, more than \$31.8 billion in U.S. source income payments were made to foreign recipients. This represents an increase of 40 percent over the \$22.7 billion

which was paid in 1987. The bulk of this increase occurred in interest payments, which rose by nearly 55 percent. Several factors appear to have influenced this increase. As the U.S. prime lending rate increased more than Eurodollar rates, U.S. borrowers switched to overseas sources for funds. Also contributing to the strong increase in interest payments was a 24 percent increase in U.S. Treasury securities held by both private foreigners and foreign financial institutions. Furthermore, as the dollar stabilized in exchange markets, the interest rate differential favored U.S. bonds over Japanese or West German bonds. Net purchases of outstanding U.S. corporate bonds by foreigners increased fivefold during 1988. Demand was particularly strong from West Germany and Japan [8]. Refer to the "Country of Recipient" section of this article for further information.

The continuing economic recovery in the United States during 1988 made investment in this country attractive. Foreign direct investment in the United States increased 21 percent in 1988, following a similar 23 percent increase in 1987. This was heightened by heavy acquisitions of U.S. companies which were financed from abroad [9]. Many foreign multinationals have increased their U.S. holdings as a means of pursuing a strategy of global expansion and diversification.

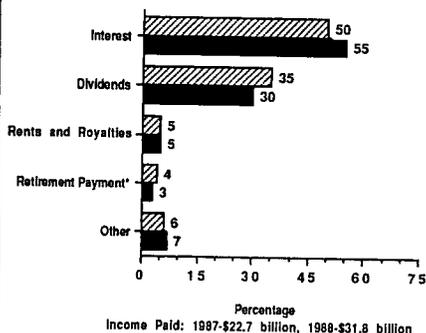
### TYPE OF INCOME

U.S. income paid to foreigners rose by more than \$9 billion from 1987. For reasons discussed earlier, most of this increase can be accounted for by the increase in interest payments. The \$6.2 billion increase in this category represents over 68 percent of the increase in overall payments.

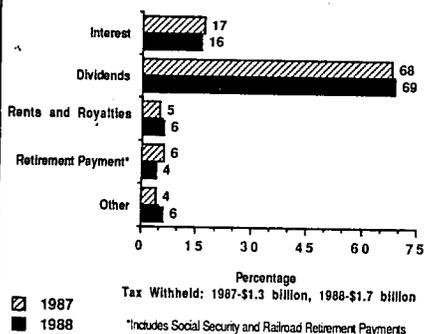
Figure C shows the percentages of income paid and the taxes withheld on various types of income. While interest continued to be the predominant type of income paid, representing 55 percent of the total, tax withheld on interest payments accounted for only 16 percent of the total. There are two principal explanations for the disproportionate taxation of interest payments. First, the Deficit Reduction Act of 1984 removed withholding on most interest payments to foreigners. Furthermore, many tax treaties reduce or nullify withholding on interest payments to residents of those countries.

Though the amount of dividends paid increased in absolute terms from 1987, dividends as a percentage of total income decreased by more than 5 percentage points. This is perhaps explained by a hesitance among foreigners to re-enter the U.S. stock market after the collapse of October 19, 1987. Foreign demand was

**Figure C**  
Percentage of Total Income Paid, by  
Income Type, 1987 and 1988



**Percentage of Total Tax Withheld, by  
Income Type, 1987 and 1988**



depressed following the crash and the subsequent recovery in U.S. stock prices was somewhat less than that in Japan, West Germany, France, and Switzerland [10]. While dividend payments totalled nearly 30 percent of the income paid, tax withheld on these payments represented almost 69 percent of total tax reported. This is the case because, in contrast to interest, dividend payments are rarely exempt from withholding.

### TYPE OF RECIPIENT

During 1988, nearly two-thirds of U.S. income paid to foreigners was received by corporations. However, the total tax withheld on this income amounted to only 56 percent of the total, making the effective tax rate for corporations 4.6 percent. One reason for the low rate of taxation was that corporations received 60 percent of their income from interest (which is generally subject to zero or low tax withholding) and just 28 percent of their income from dividends. Also, direct investment dividends (dividends paid on the investment of a parent company in a subsidiary) were subject to lower withholding rates than portfolio dividends under most tax treaties. Corporate recipients accounted for the bulk of the increase in income paid from 1987. There was a 70 percent jump in payments received by corporations in 1988.

After corporations, the second largest amount of U.S. source income went to nominees and fiduciaries, \$3.2 billion. These organizations had a total of \$0.2 billion in taxes withheld, an effective tax rate of 6.4 percent.

Individuals were paid a total of \$2.8 billion, of which more than \$0.2 billion in tax was withheld. This represents an effective rate of withholding of 8.6 percent.

The average payment made to foreigners during 1988 was \$24,210 and the average amount of tax withheld was \$1,297. The recipient type that received the largest average income payment continued to be government or international organizations, at \$2,356,837. The second largest average payments went to corporate recipients, \$257,624. The amount of the average payment to a corporation increased 45 percent from 1987. The average payment received by an individual was \$2,704, an increase of roughly 8 percent.

### COUNTRY OF RECIPIENT

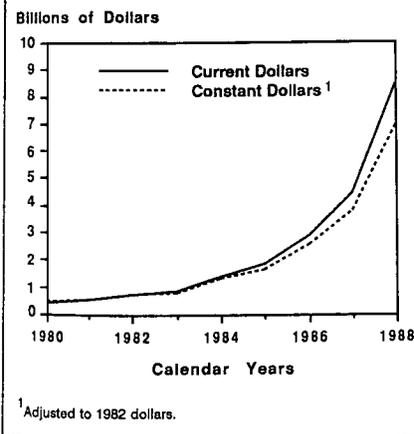
Historically, foreign investors have come to the United States for several reasons, including the safety of investments in this country. By 1988, the dollar had decreased in value by up to 50 percent against certain currencies since its peak earlier in the decade. In addition, the Tax Reform Act of 1986 reduced the maximum corporate tax rate from 46 percent to 34 percent, making it the lowest in the industrialized world [11].

In 1988, for the second year in a row, Japan received the most U.S. source income. Payments to Japanese residents increased by nearly 89 percent from 1987 to a total of \$8.4 billion. This figure represented more than 26 percent of the total income paid to foreign recipients.

Such a large increase may be explained in part by the vast increase in Japanese investments in the United States, in the form of both securities and foreign direct investment. In recent years, Japanese firms have dramatically increased their direct holdings in the United States. The 52 percent increase in direct investment from Japan in 1988 followed a 31 percent increase during 1987. Most of Japan's huge trade surplus is simply redirected to the United States in the form of purchases of Government and other securities. Foreigners have been purchasing increasingly large percentages of U.S. Treasury securities. It is estimated that up to one-third of new issues of Treasury securities in 1988 were purchased by foreign persons [12].

Figure D tracks the increase in U.S. source income payments to Japan from 1980 to 1988. In current dollars, these payments increased more than 800 percent during that time.

**Figure D**  
U.S. Source Income Paid to Japan,  
1980 Through 1988



The recipient of the second largest amount of U.S. source income was the United Kingdom. More than \$4.8 billion in income was paid to recipients in the United Kingdom, an increase of more than 13 percent.

Canadian residents received more than \$3.1 billion in

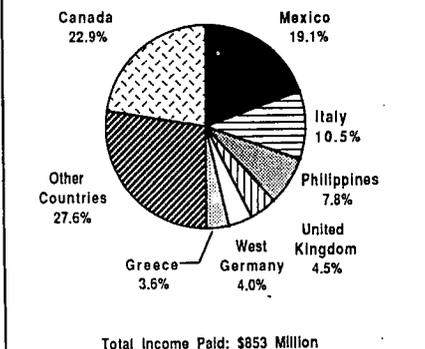
income during 1988, the third largest amount. This is nearly 81 percent more than in 1987. There was an increase of more than 400 percent in dividends paid from U.S. subsidiaries to Canadian parent companies. There was also a near doubling of interest payments to Canada.

Other nations which witnessed large increases in U.S. source income during 1988 included France, where income rose by almost 85 percent, primarily in dividends paid to French parent corporations. Income payments to the Netherlands rose by almost 25 percent. The bulk of this increase came in interest payments.

Recipients in the Netherlands Antilles received almost \$1.6 billion, a decrease of 9 percent from 1987. This continued the declining trend since the peak during 1984. Tax law changes enacted during that year attempted to discourage the utilization of Antilles corporations as financiers for American corporations. Payments have been halved since then.

Figure E details the countries which received the largest percentages of retirement payments from the United States. While the income in this category increased roughly 8 percent from 1987 levels, the percentages paid to the different nations remained virtually the same.

**Figure E**  
Percentage of Social Security and Railroad  
Retirement Payments to Recipients in  
Selected Countries, 1988



## TAX WITHHELD

The overall effective tax rate for 1988 was 5.36 percent, down from the 5.75 percent in 1987. This rate is much lower than the statutory rate for several reasons:

- Tax treaties allow for lower tax rates on certain types of payments made to residents of certain countries.
- U.S. income paid to foreign government organizations is generally not taxed.
- Most U.S. income paid to foreign private foundations is taxed at only a 4 percent rate.
- The statutory rate for social security and railroad retirement benefit payments only applies to roughly half of this income.
- The Tax Reform Act of 1984 removed the withholding tax on most types of portfolio interest.

These factors result in a considerable variation among countries, income types, and recipient types, as to the effective U.S. withholding tax rates.

Figure F ranks the 15 countries with the lowest effective U.S. withholding rates for 1988. Taxes withheld by foreign governments or withholding agents are not included in these statistics because such information may not accurately be attributed to a particular calendar year. These taxes, however, are summarized in Table 1.

Many non-treaty nations had lower effective tax rates than treaty countries. These nations typically had high

Figure F.—Ranking of Countries with Lowest Effective U.S. Withholding Rates, 1988.

(Money amounts are in thousands of dollars)

Country	Total income	Tax withheld	Effective U.S. tax rate
	(1)	(2)	(3)
All countries.....	\$31,845,694	\$1,705,499	5.36%
Oman.....	9,243	12	0.13
United Arab Emirates.....	312,895	447	0.14
Finland.....	104,216	792	0.76
Malaysia.....	40,193	318	0.79
Singapore.....	240,678	2,449	1.02
Taiwan.....	173,519	2,239	1.29
Cyprus.....	13,582	177	1.30
Denmark.....	92,557	1,291	1.39
Pakistan.....	16,983	245	1.44
China.....	64,907	1,071	1.65
Jordan.....	11,113	186	1.67
Netherlands Antilles.....	1,576,516	29,315	1.86
Kuwait.....	185,428	3,688	1.97
New Zealand.....	60,076	1,307	2.19
Belgium.....	874,952	19,621	2.24

percentages of income received in categories which were exempt from withholding for all nations. If a treaty simply reduces rates of withholding rather than exempting income from taxation, non-treaty nations which receive a predominance of tax-exempt income could have a lower overall effective tax rate.

The country which had the lowest effective withholding rate for 1988 was Oman. This was because over 99 percent of the income paid to recipients in that nation were exempt from withholding. The bulk of income paid to Oman (71 percent) was for capital gains, on which income no taxes were withheld. United Arab Emirates (UAE), the perennial leader in this category, had the second lowest effective rate of withholding. Like Oman, over 99 percent of the payments to UAE recipients were exempt from the withholding of tax. Although payments to the UAE were almost evenly split between interest, usually exempt from withholding, and dividends, rarely exempt from withholding, the largest recipient type was government organizations, which are generally exempt from withholding regardless of the type of income paid.

The total amount of tax withheld reported on Forms 1042S during Calendar Year 1988 was \$1.7 billion. This represents an increase of more than 30 percent from 1987. The countries for which the most taxes were withheld were the two that received the largest amounts of payments. Withholding on payments to Japanese recipients rose more than 76 percent to over \$510 million. Recipients in the United Kingdom had the second largest amount withheld, at \$225 million.

## SUMMARY

The tremendous increase in U.S. source income paid to foreign recipients is a reflection of the amount of foreign capital and investments which flowed into this country during the middle to late 1980's. Total payments to foreign recipients rose 40 percent in 1988 to a level of \$31.8 billion. Japan, for the second straight year, received the largest amount of payments, \$8.4 billion. The 89 percent increase in payments to Japan in 1988 followed a 56 percent increase in the previous year.

Interest payments were the largest component of U.S. source income payments. These payments represented 55 percent of the total during 1988. Recent legislation, such as the Deficit Reduction Act of 1984, which exempted most interest payments from withholding, has allowed easier access to world capital markets. Consequently, many U.S. corporations have sought foreign sources of funds.

Corporations received the bulk of the payments made to foreigners. Corporate recipients received nearly \$21 billion during 1988.

The total amount of tax withheld on all payments rose 30 percent to \$1.7 billion. While the statutory rate of withholding remained 30 percent on most types of income, the overall effective withholding rate was substantially lower, at 5.36 percent.

## DATA SOURCES AND LIMITATIONS

Payers of most U.S. source income to foreign persons must have taxes withheld in accordance with the Internal Revenue Code (as modified by tax treaties). Form 1042S, *Foreign Persons' U.S. Source Income Subject to Withholding*, is filed by the withholding agent to report the amount of this income and the tax withheld. Often a financial institution acts as the payer's withholding agent.

The statistics in this article were tabulated by calendar year, based on all Forms 1042S filed with the IRS for calendar year 1988. Forms for Calendar Year 1988 were filed up to the deadline of March 15, 1989. The amounts shown are the income paid and the tax withheld except for tax withheld by foreign governments and withholding agents. This additional tax cannot be attributed to specific types of income or years and is included only in Table 1. All other figures for taxes withheld and percentages exclude taxes withheld by these governments or agents.

Income that is "effectively connected" with a U.S. trade or business is not subject to the withholding tax, and, except for reporting errors, is not generally included in these statistics. Bank deposit interest is also excluded from the statistics in this article.

Because all Forms 1042S are included in the statistics, the data are not subject to sampling error. However, the data are subject to non-sampling error, such as computer data entry error and minor taxpayer reporting errors. A limited computer program was used to test the data for certain basic numerical relationships, including the calculation of the correct tax withheld. In addition, Forms 1042S with income amounts greater than \$2 million were manually verified.

## EXPLANATION OF SELECTED TERMS

**Eurobond.**-- Eurobond placements are U.S. corporate bonds placed in foreign markets that are denominated and sold in dollars and that also yield dollar interest.

**Foreign Person.**-- For purposes of this article, foreign persons include (a) individuals whose residence (for tax purposes) is outside of the United States and who are not U.S. citizens; and (b) corporations and other organizations, including partnerships, private foundations, estates, trusts, and charitable organizations, created or organized outside the United States. Persons residing in Puerto Rico and other U.S. possessions are also considered foreign persons for purposes of the income and withholding tax.

**Foreign Tax Credit.**-- U.S. persons are subject to U.S. tax on their worldwide income. The portion of this income derived from foreign sources is also generally subject to tax by the country in which it was earned. In order to avoid double taxation on this foreign source income, U.S. tax law allows for a dollar-for-dollar credit against U.S. income tax for foreign income taxes. In general, this credit is allowed up to the amount of the U.S. tax on this foreign source income. The credit is subject to a number of other limitations [13].

**Income Effectively Connected With a U.S. Trade or Business.**-- Income that is "effectively connected" with the conduct of a trade or business in the United States is exempt from withholding tax. This income is taxed at substantially the same rates that apply to U.S. citizens, residents, and corporations. When a foreign corporation, for instance, has a business operation in the United States, it has to file a U.S. income tax return on Form 1120F and pay appropriate taxes on the income of this operation (including branch profits taxes). When this income is later remitted by the U.S. branch to the foreign parent corporation, it is generally not subject to further U.S. taxation. These amounts may be erroneously reported on Forms 1042S, but the extent of their inclusion in these statistics is unknown but it is believed to be insignificant.

**Nominee and Fiduciary.**-- An entity chosen or appointed to accept income for, or act on behalf of, the beneficial owner of the income. Typically, a financial institution acts as a nominee or fiduciary.

**Withholding Agent.**-- Any person (individual, corporation, partnership, estate, or trust) required to withhold tax. Usually the withholding agent is the payer of the income or a person (usually a financial institution) acting on behalf of the payer. A foreign nominee or fiduciary required to withhold additional tax under a tax treaty is also a withholding agent. Foreign governments may act as withholding agents by withholding additional taxes on persons who are not entitled to the treaty rates.

## NOTES AND REFERENCES

- [1] U.S. source income includes, but is not limited to, interest, dividends, rents, royalties, capital gains, and compensation for personal services paid to foreign persons from sources in the United States. Many of these types of U.S. income are subject to a withholding tax at the source. Bank deposit interest and income "effectively connected" with a U.S. trade or business are not subject to this withholding. Many items of income are also exempt under statutes or bilateral tax treaties, but must be reported by withholding agents. IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*, contains a further clarification of the income subject to withholding.
- [2] Bichel, Jon E., ed. *Income Tax Treaties*. New York: Practising Law Institute, 1978.
- [3] Prior to the passage of the 1984 Act, many U.S. multinational corporations sought to borrow funds in the Eurobond market, where interest must be payable free of tax. U.S. corporations would establish a finance subsidiary in the Netherlands Antilles. These subsidiaries borrowed funds in the Eurobond market and loaned that money to the U.S. parent. The interest payments from the parent to the subsidiary were largely exempt from U.S. withholding under the U.S. treaty with the Antilles. And the payments from the subsidiary to bondholders were exempt under Antilles law. With the 1984 Act, all portfolio interest payments were exempted, therefore eliminating the necessity of borrowing through the Antilles.

[4] For a complete listing of all current U.S. tax treaties, see IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Corporations*.

[5] *Chin, Felix. Tax Havens: A Selected Bibliography*. Monticello, IL: Vance Bibliographies, 1980.

[6] Starchild, Adam. *Tax Havens*. New Rochelle, NY: Arlington House Publishers, 1979. The tax havens used in creating Figure B were taken from this source and include: Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Hong Kong, Liberia, Liechtenstein, Netherlands Antilles, Panama, and Switzerland.

[7] *Chin*, p. 30.

[8] Scholl, Russell B., "The Investment Position of the United States in 1988," *Survey of Current Business*, U.S. Department of Commerce, Bureau of Economic Analysis, June, 1989, p. 44.

[9] *Ibid.*, p. 45.

[10] *Ibid.*, p. 44.

[11] Fierman, Jactyn, "The Selling Off of America," *Fortune*, Vol. 144. December 22, 1986, p. 49.

[12] *Scholl*, p. 44.

[13] For a further discussion of the foreign tax credit, see Redmiles, Melissa, "Corporate Foreign Tax Credit, 1986: An Industry Focus," *Statistics of Income Bulletin*, Fall, 1990, Volume 10, Number 2.

Table 1.—Forms 1042S: Number of Returns, Total Income Paid, Tax Withheld, by Selected Treaty and Nontreaty Countries  
[Money amounts are in thousands of dollars]

Country or geographic area	Number of Form 1042S	Income paid			Tax withheld		
		Total	Exempt from withholding	Subject to withholding	Total	By domestic withholding agents	By foreign government and withholding agents
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total</b> .....	<b>1,315,408</b>	<b>31,845,694</b>	<b>18,749,816</b>	<b>13,095,878</b>	<b>1,759,267</b>	<b>1,705,499</b>	<b>53,768</b>
<b>Treaty countries, total</b> .....	<b>972,386</b>	<b>27,968,124</b>	<b>16,212,056</b>	<b>11,756,068</b>	<b>1,473,699</b>	<b>1,419,881</b>	<b>53,768</b>
Australia.....	21,823	308,985	172,416	136,569	21,490	21,490	—
Austria.....	5,448	140,514	50,037	90,477	13,921	13,759	162
Barbados.....	780	35,010	27,051	7,959	1,070	1,070	—
Bermuda.....	12,892	874,982	749,550	125,413	23,537	19,621	3,916
Belgium.....	317,858	3,153,875	64,907	54,719	10,188	1,071	—
Canada.....	8,962	64,907	2,394	1,194	9,679	177	—
Cayman Islands.....	1,479	13,582	12,528	1,055	1,295	1,291	4
Cyprus.....	3,811	92,557	82,877	9,680	180	180	—
Denmark.....	1,214	3,598	97,356	6,861	792	792	—
Egypt.....	1,490	104,216	563,619	716,859	56,596	56,162	434
France.....	27,296	128,078	9,421	37,552	6,425	6,425	—
Germany.....	16,445	46,973	5,932	850	142	142	—
Greece.....	494	5,952	917	435	96	96	—
Hungary.....	152	48,169	20,486	27,682	4,231	4,231	—
Iceland.....	1,428	217,835	217,835	112,284	13,052	13,052	—
Ireland.....	35,899	330,119	1,018	5,386	955	955	—
Italy.....	2,267	7,404	4,202,839	4,217,954	510,567	510,567	—
Jamaica.....	28,874	8,421,793	21,889	43,598	5,073	5,073	—
Japan.....	2,497	65,487	184,057	101,746	27,872	26,368	1,504
Korea.....	6,066	285,803	1,599	754	37	37	—
Luxembourg.....	690	1,684	890	290	150	150	—
Malta.....	452	2,404,212	1,314,604	1,089,408	88,749	88,191	558
Netherlands.....	13,257	1,576,516	1,455,420	1,21,096	29,315	29,315	—
Netherlands Antilles.....	3,854	60,076	51,957	8,119	1,307	1,307	—
New Zealand.....	4,739	58,325	40,322	18,003	2,838	2,838	—
Norway.....	7,345	16,983	15,692	1,291	245	245	—
Philippines.....	2,737	19,214	5,180	74,033	11,747	11,747	—
Poland.....	28,546	15,319	3,904	11,415	1,589	1,589	—
Romania.....	2,333	541	260	280	49	49	—
Sweden.....	8,634	207,170	40,995	168,178	13,107	13,107	—
Switzerland.....	39,226	1,964,432	835,775	1,128,657	173,032	128,049	44,983
Trinidad and Tobago.....	1,209	3,794	1,121	2,672	460	460	—
United Kingdom.....	262,003	4,843,767	3,139,152	1,704,615	226,896	224,679	2,207
USSR.....	557	2,991	2,126	865	249	249	—
West Germany.....	89,041	1,446,482	803,791	642,691	96,790	96,790	—
<b>Nontreaty countries, total</b> .....	<b>343,040</b>	<b>3,877,570</b>	<b>2,537,760</b>	<b>1,339,810</b>	<b>285,618</b>	<b>285,618</b>	<b>—</b>
Argentina.....	10,026	33,455	18,778	14,677	3,330	3,330	—
Bahamas.....	4,351	206,154	132,914	73,240	21,209	21,209	—
Belize.....	2,847	175,828	93,499	82,335	24,534	24,534	—
Bermuda.....	6,438	27,153	14,010	13,143	2,875	2,875	—
Brazil.....	1,441	64,769	28,997	37,771	11,207	11,207	—
British Virgin Islands.....	2,531	27,123	179,714	57,409	13,351	13,351	—
Cayman Islands.....	19,078	230,146	135,237	94,909	22,543	22,543	—
Hong Kong.....	7,501	32,193	16,224	16,969	3,954	3,954	—
Israel.....	545	42,545	19,655	22,890	6,787	6,787	—
Jersey.....	1,910	166,428	174,162	12,267	2,668	2,668	—
Kuwait.....	1,947	52,321	24,083	28,238	8,395	8,395	—
Liechtenstein.....	965	35,762	13,423	22,339	6,612	6,612	—
Mexico.....	97,151	306,342	83,308	223,034	40,878	40,878	—
Panama.....	9,689	211,557	136,350	75,207	20,560	20,560	—
Portugal.....	6,300	26,613	5,123	21,490	3,408	3,408	—
Puerto Rico.....	8,320	11,457	7,808	3,649	713	713	—
Saudi Arabia.....	5,251	133,789	122,540	11,249	3,341	3,341	—
Singapore.....	6,400	240,678	232,014	8,665	2,449	2,449	—
South Africa.....	5,625	142,774	110,197	32,577	7,445	7,445	—
Spain.....	11,306	173,519	164,736	8,783	2,239	2,239	—
Taiwan.....	1,042	312,895	311,413	1,463	443	443	—
United Arab Emirates.....	9,508	32,060	18,507	13,553	3,396	3,396	—
Venezuela.....	117,927	941,921	483,521	458,400	71,790	71,790	—
Other nontreaty countries.....							

## Foreign Recipients of U.S. Income, 1988

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>All countries, total</b>	<b>1,318,406</b>	<b>1,705,499</b>	<b>31,845,694</b>	<b>17,814,665</b>	<b>9,510,170</b>	<b>1,692,892</b>	<b>853,243</b>	<b>917,934</b>
Individuals	1,045,080	243,006	28,254,719	17,913,551	484,454	1,043,379	853,243	225,221
Corporations	80,220	950,777	20,666,556	12,393,048	5,702,832	1,483,956	—	238,239
Algeria	107	1,129	13,899	11	13,865	( <sup>1</sup> )	—	43
Individuals	89	31	240	6	13	( <sup>1</sup> )	—	43
Corporations	4	1,095	13,656	6	13,650	60	—	—
Argentina	10,026	3,330	33,455	13,240	5,251	293	3,964	( <sup>1</sup> )
Individuals	8,152	2,753	19,450	4,400	4,286	122	3,964	444
Corporations	1,110	1,577	14,005	8,840	1,000	161	—	—
Australia	21,823	21,490	308,985	159,328	75,523	54,833	4,371	—
Individuals	18,288	2,803	33,264	11,786	4,655	2,636	4,371	4,239
Corporations	1,630	8,871	197,736	135,143	15,345	42,218	—	3,141
Austria	5,448	13,759	140,514	43,482	85,129	603	3,112	4,746
Individuals	11,338	1,273	10,012	1,455	589	167	3,112	245
Corporations	365	766	33,621	25,110	5,103	4	—	1,957
Bahamas	4,351	21,209	208,154	128,407	63,319	3,324	704	2,431
Individuals	1,774	2,024	9,423	2,251	5,831	3	704	199
Corporations	11,335	11,398	117,827	73,152	32,530	2,745	—	63
Bahrain	815	800	23,333	18,296	4,359	—	4	—
Individuals	462	114	687	283	380	( <sup>1</sup> )	4	—
Corporations	53	507	10,025	8,381	1,490	—	—	—
Barbados	790	1,010	33,010	28,209	5,424	28	1,135	12
Individuals	571	379	2,106	150	1,455	—	1,135	12
Corporations	81	815	8,535	8,473	2,056	—	—	—
Belgium	12,892	19,621	874,962	756,821	78,090	23,933	1,980	4,241
Individuals	9,995	2,433	19,964	6,218	3,870	436	1,980	3,568
Corporations	1,017	8,479	117,339	53,549	34,795	23,318	—	—
Bermuda	2,847	24,534	178,828	104,714	52,882	—	540	586
Individuals	1,316	4,271	18,038	3,540	397	15	540	397
Corporations	585	12,970	98,017	61,536	30,591	4,908	—	14
Brazil	6,438	2,875	27,153	12,649	4,310	672	3,323	2,916
Individuals	5,508	2,193	18,767	4,455	2,898	247	3,323	2,589
Corporations	140	338	6,486	4,540	718	273	—	3
Breath Virgin Islands	1,441	11,207	64,769	18,224	13,813	22,623	2	3
Individuals	1,442	342	1,769	324	1,183	22	2	—
Corporations	579	9,660	51,093	11,320	8,244	22,598	—	—
Canada	317,658	138,557	3,153,675	1,397,838	1,238,921	195,317	58,622	58,622
Individuals	261,848	23,980	382,985	33,846	69,748	17,273	195,317	18,504
Corporations	16,686	94,012	2,322,339	1,198,866	922,800	90,519	—	31,430
Cayman Islands	2,531	13,351	37,123	186,608	37,322	330	406	106
Individuals	466	1,337	8,966	3,581	79	3	406	—
Corporations	1,345	8,801	138,627	105,066	23,714	245	—	106
Chile	3,593	1,110	14,650	6,233	2,410	36	1,327	3,162
Individuals	2,970	879	6,279	1,870	1,664	31	1,327	254
Corporations	98	97	5,610	2,074	311	1	—	2,899
China	8,982	1,071	64,907	15,767	2,333	87	54	32,314
Individuals	8,529	379	45,747	657	426	217	54	31,117
Corporations	52	127	12,031	10,532	1,788	—	—	497
Colombia	7,312	2,023	21,429	11,993	4,173	246	2,869	415
Individuals	5,965	1,476	11,056	3,864	2,972	74	2,869	74
Corporations	127	122	3,642	3,466	187	126	—	3
Costa Rica	2,885	1,028	11,286	3,478	1,379	46	2,772	306
Individuals	2,478	984	8,445	1,388	859	41	2,772	303
Corporations	478	98	5,610	2,074	518	2	—	—
Cyprus	1,479	118	13,582	152	227	2,491	764	764
Individuals	1,432	135	10,940	150	78	—	764	126
Corporations	6	9	2,522	—	31	( <sup>1</sup> )	—	( <sup>1</sup> )
Czechoslovakia	1,111	938	5,338	283	112	259	3,290	1,033
Individuals	1,045	773	4,451	283	34	374	3,290	374
Corporations	6	12	—	( <sup>1</sup> )	12	—	—	—
Denmark	3,811	1,291	92,557	52,602	4,966	12,500	3,564	691
Individuals	3,147	887	6,877	450	765	114	3,564	737
Corporations	152	123	46,299	31,209	2,180	12,291	—	—
Dominican Republic	3,683	1,278	11,573	1,829	488	33	7,378	215
Individuals	3,510	1,222	10,906	1,271	307	33	7,378	123
Corporations	26	1	970	245	121	—	—	—
East Germany	321	209	309	213	211	17	—	303
Individuals	263	156	741	193	74	—	—	303
Corporations	2	39	133	—	130	2	—	—
Ecuador	2,632	898	8,763	2,588	610	161	3,435	180
Individuals	2,352	798	6,593	1,139	737	148	3,435	106
Corporations	91	290	2,180	241	89	111	—	—
Egypt	1,212	280	3,588	982	630	630	—	—
Individuals	1,027	103	2,616	423	459	11	31	622
Corporations	30	18	452	332	3	9	—	—
El Salvador	1,145	388	3,797	858	610	78	1,038	56
Individuals	1,042	336	3,531	747	50	—	1,038	46
Corporations	21	17	94	32	50	—	—	—
Finland	1,490	792	104,216	68,166	4,066	1,247	2,073	3,478
Individuals	1,205	432	4,150	198	152	114	2,073	868
Corporations	94	292	62,535	41,810	3,880	1,059	—	2,341
France	27,296	56,162	1,280,478	427,512	545,311	190,317	10,316	28,892
Individuals	16,505	7,384	19,059	12,847	16,847	10,316	15,427	1,827
Corporations	2,974	33,908	960,788	338,732	420,358	159,174	—	10,335

Footnote at end of table.

## Foreign Recipients of U.S. Income, 1988

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	Personal services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ghana	16,445	6,425	46,973	4,022	5,453	122	30,485	1,847
Individuals	15,235	5,602	41,590	1,873	2,478	113	30,485	1,802
Corporations	109	178	2,018	1,416	598	( <sup>1</sup> )	—	—
Guatemala	294	6,976	28,104	3,539	24,163	104	—	—
Individuals	60	237	1,057	766	161	—	—	—
Corporations	118	3,499	13,158	1,612	11,992	284	1,019	206
Hong Kong	1,821	592	6,970	819	526	236	1,019	206
Individuals	1,521	488	6,379	638	526	236	—	—
Corporations	24	73	321	32	242	47	—	( <sup>1</sup> )
Hungary	18,078	22,543	230,146	133,914	68,112	1,825	4,627	1,545
Individuals	12,488	6,092	31,416	7,837	12,546	905	4,627	1,545
Corporations	1,180	7,516	110,923	105,733	24,838	908	—	612
India	484	142	5,952	2,638	130	103	153	1,842
Individuals	464	136	3,289	55	130	61	153	1,580
Corporations	—	—	26	—	—	—	—	—
Indonesia	3,916	1,773	22,235	7,095	1,384	845	666	1,440
Individuals	3,116	1,613	12,299	306	898	836	666	1,353
Corporations	46	65	5,320	2,477	180	28	—	28
Israel	1,536	477	16,238	11,171	1,082	26	44	2,124
Individuals	1,217	330	4,655	1,982	26	44	—	—
Corporations	—	—	10,645	10,549	49	—	—	—
Italy	11,128	4,231	48,169	17,344	17,958	381	6,222	1,590
Individuals	10,289	1,932	41,834	7,255	2,586	290	8,222	1,474
Corporations	169	286	11,691	7,055	1,842	56	—	—
Japan	794	1,014	29,466	1,042	3,641	250	—	91
Individuals	630	140	2,330	1,774	349	119	—	—
Corporations	97	750	20,054	8,719	2,794	131	—	78
Jordan	7,501	3,954	32,193	15,317	5,363	131	3,725	2,287
Individuals	5,796	2,290	14,460	2,028	2,163	108	3,725	2,287
Corporations	35,899	13,052	330,119	126,572	53,819	36,509	89,419	7,035
Korea	33,853	5,121	4,034	6,224	11,765	89,419	1,057	2,657
Individuals	517	4,392	156,921	105,933	26,305	23,561	157	5,074
Corporations	2,297	955	7,404	394	765	157	5,074	264
Jamaica	2,297	872	6,750	226	254	157	5,074	264
Individuals	28	76	525	36	486	—	—	—
Corporations								

Foreign Recipients of U.S. Income, 1988

Table 2.—Forms 1042S: Number of Returns, Tax Withheld, and Total Income Paid by Income Type, by Selected Recipient Type and Country of Recipient—Continued

(Money amounts are in thousands of dollars)

Country or geographic area and recipient type	Number of Forms 1042S	Tax withheld	Income paid					Personal services
			Total	Interest	Dividends	Rents and royalties	Social security and railroad retirement	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Pakistan	2,737	245	16,893	213	483	14	149	811
Individuals	2,560	204	16,698	169	254	10	149	810
Corporations	6	7	24	1	43	—	—	—
Panama	9,689	20,560	211,557	113,742	58,942	11,566	979	330
Individuals	2,772	2,032	12,254	2,967	5,593	31	979	235
Corporations	4,149	14,472	141,700	68,631	37,280	11,527	—	7
Peru	3,072	672	7,755	3,074	1,428	311	838	113
Individuals	2,623	631	5,182	2,154	1,012	273	838	71
Corporations	40	113	456	342	71	34	—	—
Philippines	29,546	11,747	79,214	2,827	2,818	120	66,833	1,556
Individuals	27,653	11,480	77,197	1,911	1,866	52	66,833	1,491
Corporations	106	73	674	490	121	54	—	6
Poland	2,933	1,589	15,318	217	1,332	114	9,419	2,465
Individuals	2,893	1,498	13,753	135	81	46	9,419	2,301
Corporations	7	340	22,146	794	721	71	—	—
Portugal	7,628	63	1,334	81	1,249	3	—	—
Individuals	7,219	3,259	26,613	4,282	1,046	134	19,597	288
Corporations	60	18	3,636	2,986	75	91	19,597	277
Puerto Rico	6,300	713	11,457	7,500	1,187	61	2,064	—
Individuals	5,873	534	3,400	435	585	8	2,064	128
Corporations	391	126	5,554	4,071	498	53	—	28
Saudi Arabia	5,251	3,341	133,789	90,898	36,109	59	—	4,146
Individuals	3,951	1,347	5,898	918	3,896	16	—	122
Corporations	111	389	62,607	33,839	28,468	57	—	287
Singapore	6,400	2,449	240,678	202,491	33,150	115	156	216
Individuals	5,395	673	142,774	1,157	1,530	106	156	196
Corporations	231	1,019	16,246	9,720	2,596	9	—	1,572
South Africa	5,925	1,491	20,088	11,785	1,374	1,032	541	20
Individuals	5,266	983	18,106	10,946	1,023	670	541	115
Corporations	43	132	495	230	52	223	—	—
South Korea	2,497	5,073	65,487	26,922	22,318	7,535	108	4,196
Individuals	2,294	240	9,032	489	386	5	108	4,855
Corporations	60	4,787	44,950	14,373	21,806	7,530	—	18
Spain	11,308	7,445	142,774	12,016	8,415	2,254	12,503	3,683
Individuals	10,051	4,281	28,158	5,335	3,791	260	12,503	2,741
Corporations	350	2,121	29,916	25,586	2,415	1,280	—	333
Sweden	8,634	13,107	207,170	29,012	141,712	5,262	10,934	14,207
Individuals	7,841	5,180	159,297	17,737	133,594	4,213	—	5,435
Corporations	204	6,733	29,325	885	2,898	586	10,934	11,348
Switzerland	39,226	128,049	1,964,432	1,075,940	684,913	106,449	—	471
Individuals	13,109	8,428	79,722	24,475	31,812	4,578	4,413	16,281
Corporations	14,741	58,471	1,713,519	849,974	322,652	89,079	4,413	5,435
Taiwan	6,631	1,463	12,433	3,778	3,082	11	—	10,369
Individuals	5,553	333	42,074	28,191	682	59	—	2,885
Corporations	98	1,320	9,559	6,771	623	314	545	370
Thailand	1,105	339	2,744	190	397	308	545	369
Individuals	21	34	2,295	213	103	—	—	1
Corporations	1,042	443	312,895	178,585	132,187	2	—	—
United Arab Emirates	911	167	2,721	337	534	2	—	—
Individuals	38	218	2,242	1,422	565	—	—	—
Corporations	262,003	224,679	4,843,767	2,318,910	1,802,188	297,973	38,045	100,812
United Kingdom	209,082	16,229	626,074	440,108	63,065	16,567	38,045	31,541
Individuals	11,624	85,934	2,654,215	1,350,683	847,052	253,362	—	53,743
Corporations	2,037	1,132	10,385	6,547	3,180	96	—	27
Uruguay	992	522	2,860	1,000	1,229	96	—	14
Individuals	281	361	3,831	2,636	1,191	—	—	—
Corporations	9,508	3,396	32,060	18,753	7,576	3,959	1,056	995
Venezuela	7,381	2,325	15,928	5,822	4,818	346	—	921
Individuals	336	348	3,272	1,015	1,015	12	—	3
Corporations	89,041	96,700	1,415,517	530,930	552,598	134,328	34,498	24,419
West Germany	70,261	24,785	215,232	39,690	38,690	9,373	34,498	17,030
Individuals	2,820	54,005	983,675	386,282	378,746	112,801	—	5,238
Corporations	3,994	2,281	15,000	946	513	86	11,700	175
Yugoslavia	3,858	21	14,038	285	332	78	—	75
Individuals	14	21	82,350	(1)	69	2	—	14
Corporations	61,163	32,002	488,255	218,012	150,098	9,432	43,708	8,648
Other Countries	48,359	12,281	125,236	14,124	18,144	1,363	—	6,701
Individuals	2,436	10,754	219,263	200,404	71,260	7,122	—	1,471
Corporations	—	—	—	—	—	—	—	—

<sup>1</sup> Less than \$500

Section 12

U.S. Partnership Income of Foreign Partners

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Table 5: 1989 Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, Recipient Type: Other, p. 410.

The Tax Reform Act of 1986 created an obligation for U.S. partnerships to withhold income tax on effectively connected taxable income deemed allocable to foreign partners. The U.S. partnership must file a Form 8805 for each foreign partner. This form identifies the partner by name, address, and organization type (individual, corporation, partnership, or other). The amount of income attributable to that partner, as well as, the amount of tax withheld on that income is specified, also. The United States partnership must file a Form 8804 for itself. This return lists the amount of income attributable to foreign partners as a whole, and the amount of tax withheld from that income.

This section presents information from five tables. The tables below list income amounts attributable to foreign partners and the tax withheld. There is a separate table for each different recipient type and a summary table. Recipients are differentiated by organization type: individual, corporation, partnership, or other. The tables present partner-level information by country of residence of each partner.

\* Form 8804, Annual Return for Partnership Withholding Tax (Section 1446) (p. 522)

\* Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax (p. 522)

\* Form 8813, Partnership Withholding Tax Payment (Section 1446) (p. 523)

TABLE 1: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989

Summary of All Recipient Types

COUNTRY	NUMBER OF FORMS 8805 FILED	GROSS INCOME (OR LOSS)	TAX WITHHELD	SECTION 1445 CREDIT TOTAL	SECTION 1446 CREDIT TOTAL
	[1]	[2]	[3]	[4]	[5]
All countries.....	32,432	347,954,233	118,359,364	8,241,657	110,117,707
Argentina.....	13	212,851	61,010	-	61,010
Australia.....	58	5,868,920	2,200,289	-	2,200,289
Austria.....	15	30,879	13,226	281	12,945
Bahamas, The.....	29	294,085	116,121	-	116,121
Belgium.....	82	6,214,911	2,066,389	538	2,065,851
Bermuda.....	22	5,017,870	5,298,186	-	5,298,186
Brazil.....	16	172,239	78,912	4,382	74,530
Canada.....	2,249	25,356,196	9,988,975	109,569	9,879,406
Canary Islands.....	30	655,360	193,593	12,636	180,957
Cayman Islands.....	23	481,831	164,411	714	163,697
China, People's Rep.	17	200,309	56,493	-	56,493
Colombia.....	80	476,306	224,751	160,040	64,711
Comoros.....	4	107	235	-	235
Costa Rica.....	7	77,130	25,942	-	25,942
Cyprus.....	22	3,090	936	-	936
Denmark.....	7	42,962	15,064	-	15,064
Egypt.....	6	5,367	1,886	-	1,886
Finland.....	6	-	-	-	-
France.....	352	12,285,391	4,152,052	20,954	4,131,098
Germany, Dem Rep-East	7	29,746	8,329	-	8,329
Germany, Fed Rep-West	25,278	144,696,380	43,599,878	5,529,532	38,070,346
Greece.....	22	429,738	141,987	102	141,885
Guatemala.....	4	295	377	59	318
Hong Kong.....	69	2,525,783	851,213	-	851,213
Ireland.....	97	217,978	61,034	-	61,034
Israel.....	40	485,246	177,730	-	177,730
Italy.....	18	579,348	188,624	26,592	162,032
Japan.....	585	33,391,249	11,641,967	-	11,641,967

TABLE 1: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989 -- continued

Summary of All Recipient Types

COUNTRY	NUMBER OF FORMS 8805 FILED	GROSS INCOME (OR LOSS)	TAX WITHHELD	SECTION 1445 CREDIT TOTAL	SECTION 1446 CREDIT TOTAL
	[1]	[2]	[3]	[4]	[5]
Jersey.....	8	12,280,254	3,438,471	-	3,438,471
Kuwait.....	8	132,377	39,517	-	39,517
Lebanon.....	26	618,888	203,989	21,963	182,026
Liberia.....	7	121,886	42,531	0	42,531
Liechtenstein.....	61	478,765	172,302	1,480	170,822
Luxembourg.....	6	45,663	21,023	6,286	14,737
Mexico.....	345	3,203,797	1,031,859	10,423	1,021,436
Monaco.....	13	89,032	25,314	0	25,314
Netherlands.....	652	10,316,802	3,957,101	50,488	3,906,613
Netherlands Antilles	99	3,175,661	1,225,665	340,391	885,273
New Zealand.....	220	5,220,961	1,629,345	0	1,629,345
Nigeria.....	3	2,255	1,535	0	1,535
Niue.....	3	14,580	4,957	0	4,957
Norway.....	18	750,425	295,527	41,519	254,009
Panama.....	44	951,599	353,346	51,118	302,229
Peru.....	45	413,923	162,865	110,735	52,130
Philippines.....	16	35,607	17,843	2,095	15,748
Puerto Rico.....	17	558	156	0	156
Saudi Arabia.....	54	1,729,182	498,219	447,751	50,468
Singapore.....	9	1,295,269	442,567	0	442,567
South Africa.....	16	47,953	13,898	127	13,771
Sweden.....	36	235,741	140,146	0	140,146
Switzerland.....	541	7,281,967	2,950,507	94,619	2,855,888
Thailand.....	8	0	19	0	19
Taiwan.....	43	(137,347)	36,164	193	35,971
United Arab Emirates	4	5,147	1,441	0	1,441
United Kingdom.....	363	10,979,520	3,614,962	22,814	3,592,148
Venezuela.....	45	2,122,687	685,976	489,316	196,660
Virgin Is (British).	30	13,868,978	3,999,213	0	3,999,213
Other countries.....	534	32,920,537	12,023,293	684,938	11,338,355

U.S. Partnership Income of Foreign Partners, 1989

TABLE 2: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989

Recipient Type: Individual

COUNTRY	NUMBER OF FORMS 8805 FILED	GROSS INCOME (OR LOSS)	TAX WITHHELD	SECTION 1445 CREDIT TOTAL	SECTION 1446 CREDIT TOTAL
	[1]	[2]	[3]	[4]	[5]
All countries.....	30,181	160,266,243	49,699,970	7,218,387	42,481,583
Argentina.....	11	212,851	61,010	-	61,010
Australia.....	33	2,316,582	669,991	-	669,991
Austria.....	13	26,107	11,380	281	11,099
Bahamas, The.....	7	41,224	11,746	-	11,746
Belgium.....	70	4,531,176	1,491,511	538	1,490,974
Bermuda.....	7	421,511	122,531	-	122,531
Brazil.....	15	96,167	50,488	4,382	46,106
Canada.....	1,734	8,008,949	2,993,827	102,638	2,891,189
Canary Islands.....	29	655,360	193,593	12,636	180,957
China, People's Rep..	16	104,559	29,379	-	29,379
Colombia.....	74	457,552	217,815	160,040	57,775
Cyprus.....	22	3,090	936	-	936
Denmark.....	5	24,407	6,874	-	6,874
Egypt.....	6	5,367	1,886	-	1,886
Ireland.....	87	217,978	61,034	-	61,034
France.....	316	5,911,216	1,886,679	20,954	1,865,725
Germany, Dem Rep-East	7	29,746	8,329	-	8,329
Germany, Fed Rep-West	24,897	110,814,197	33,087,658	5,492,960	27,594,698
Greece.....	21	257,295	72,988	102	72,886
Hong Kong.....	59	643,121	303,642	-	303,642
Israel.....	36	485,246	175,730	-	175,730
Italy.....	15	456,072	146,456	26,592	119,864
Japan.....	330	3,236,449	926,797	-	926,797
Kuwait.....	6	119,086	34,066	-	34,066
Lebanon.....	26	618,888	203,989	21,963	182,026
Liechtenstein.....	9	110,823	33,698	-	33,698

U.S. Partnership Income of Foreign Partners, 1989

TABLE 2: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989 -- continued

Recipient Type: Individual

COUNTRY	NUMBER OF FORMS 8805 FILED [1]	GROSS INCOME (OR LOSS) [2]	TAX WITHHELD [3]	SECTION 1445 CREDIT TOTAL [4]	SECTION 1446 CREDIT TOTAL [5]
Luxembourg.....	3	39,562	11,077	6,286	4,791
Mexico.....	334	2,852,383	906,416	10,423	895,993
Monaco.....	11	89,032	25,314	-	25,314
Netherlands.....	476	1,256,637	470,322	50,007	420,315
Netherlands Antilles.	17	11,558	4,442	238	4,205
New Zealand.....	211	741,855	259,399	-	259,399
Nigeria.....	3	2,255	1,535	-	1,535
Norway.....	12	2,784	11,104	39	11,066
Panama.....	14	497,147	160,908	51,118	109,791
Peru.....	45	413,923	162,865	110,735	52,130
Philippines.....	10	20,241	13,542	2,095	11,447
Puerto Rico.....	16	558	156	-	156
Saudi Arabia.....	49	1,729,129	498,189	447,751	50,438
Singapore.....	5	12,331	5,448	-	5,448
South Africa.....	16	47,953	13,898	127	13,771
Sweden.....	28	226,509	122,847	-	122,847
Switzerland.....	337	1,706,174	649,065	94,585	554,481
Taiwan.....	40	(138,151)	35,533	-	35,533
Thailand.....	8	0	19	-	19
United Arab Emirates.	4	5,147	1,441	-	1,441
United Kingdom.....	276	4,531,762	1,336,250	22,814	1,313,436
Venezuela.....	41	2,072,932	671,114	489,316	181,798
Virgin Is (British)..	8	3,141	882	-	882
Other countries.....	366	4,336,362	1,534,167	89,766	1,444,401

TABLE 3: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989

Recipient Type: Corporation

COUNTRY	NUMBER OF FORMS 8805 FILED [1]	GROSS INCOME (OR LOSS) [2]	TAX WITHHELD [3]	SECTION 1445 CREDIT TOTAL [4]	SECTION 1446 CREDIT TOTAL [5]
All countries.....	1,852	131,255,393	48,231,734	802,271	47,429,464
Australia.....	15	2,455,061	837,989	-	837,989
Bahamas, The.....	21	249,234	103,360	-	103,360
Belgium.....	11	1,679,438	573,607	-	573,607
Bermuda.....	14	981,359	375,656	-	375,656
Canada.....	408	12,469,850	5,450,179	41	5,450,138
Cayman Islands.....	20	428,138	146,363	-	146,363
Colombia.....	6	18,754	6,936	-	6,936
Costa Rica.....	5	64,465	21,918	-	21,918
Ireland.....	10	-	-	-	-
Finland.....	6	-	-	-	-
France.....	34	6,371,354	2,264,583	-	2,264,583
Germany, Fed Rep-West	239	3,517,110	1,862,820	-	1,862,820
Hong Kong.....	10	1,882,662	547,571	-	547,571
Italy.....	3	123,276	42,168	-	42,168
Japan.....	249	30,134,139	10,709,386	-	10,709,386
Jersey.....	3	-	-	-	-
Liberia.....	6	117,964	41,433	-	41,433
Liechtenstein.....	40	339,526	126,051	1,480	124,571
Luxembourg.....	3	6,101	9,946	-	9,946
Mexico.....	8	350,776	125,150	-	125,150
Netherlands.....	166	8,956,710	3,456,109	481	3,455,628
Netherlands Antilles	82	3,164,103	1,221,222	340,154	881,068
New Zealand.....	7	1,686,378	587,982	-	587,982
Niue.....	3	14,580	4,957	-	4,957
Norway.....	6	747,641	284,423	41,480	242,943
Panama.....	30	454,452	192,438	-	192,438

TABLE 3: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989 -- continued

Recipient Type: Corporation

COUNTRY	NUMBER OF FORMS 8805 FILED [1]	GROSS INCOME (OR LOSS) [2]	TAX WITHHELD [3]	SECTION 1445 CREDIT TOTAL [4]	SECTION 1446 CREDIT TOTAL [5]
Singapore.....	4	1,282,938	437,119	-	437,119
Sweden.....	7	8,968	16,684	-	16,684
Switzerland.....	183	5,556,882	2,295,176	-	2,295,176
United Kingdom.....	73	6,394,045	2,261,419	-	2,261,419
Virgin Is (British).....	12	13,865,838	3,998,332	-	3,998,332
Other countries.....	168	27,933,652	10,230,758	418,635	9,812,124

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TABLE 4: Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989

Recipient Type: Partnership

COUNTRY	NUMBER OF FORMS 8805 FILED [1]	GROSS INCOME (OR LOSS) [2]	TAX WITHHELD [3]	SECTION 1445 CREDIT TOTAL [4]	SECTION 1446 CREDIT TOTAL [5]
All countries.....	245	27,437,931	7,970,326	13,869	7,956,457
Canada.....	83	4,401,354	1,265,530	0	1,265,530
Germany, Fed Rep-West..	114	20,010,418	5,743,479	13,835	5,729,644
Japan.....	6	20,660	5,785	0	5,785
Liechtenstein.....	4	542	222	0	222
Netherlands.....	9	103,456	30,670	0	30,670
Philippines.....	5	15,366	4,301	0	4,301
Switzerland.....	7	17,643	5,146	34	5,112
Other countries.....	17	2,868,492	915,193	0	915,193

U.S. Partnership Income of Foreign Partners, 1989

TABLE 5: 1989 Foreign Partner Income and Tax Withheld as Reported on Form 8805, by Partner's Country of Residence, 1989

COUNTRY	NUMBER OF FORMS 8805 FILED [1]	GROSS INCOME (OR LOSS) [2]	TAX WITHHELD [3]	SECTION 1445	SECTION 1446
				CREDIT TOTAL [4]	CREDIT TOTAL [5]
All countries.....	154	28,994,666	12,457,334	207,131	12,250,203
Australia.....	10	1,097,277	692,309	0	692,309
Canada.....	24	476,043	279,439	6,890	272,549
Comoros.....	3	83	179	0	179
Germany, Fed Rep-West	28	10,354,655	2,905,920	22,737	2,883,183
Jersey.....	5	12,280,254	3,438,471	0	3,438,471
Liechtenstein.....	8	27,874	12,331	0	12,331
Mexico.....	3	639	293	0	293
Saudi Arabia.....	3	53	30	0	30
Switzerland.....	14	1,267	1,120	0	1,120
Taiwan.....	3	804	631	193	438
United Kingdom.....	13	49,042	15,985	0	15,985
Virgin Is (British).....	9	-	-	0	0
Other countries.....	31	4,706,674	5,110,627	177,311	4,933,316

## Section 13 Foreign Trusts

### Contents

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Table 1.-- Forms 3520-A: Income Statement Items, by Selected Country Where the Trust was Created, p. 419.

Table 2.-- Forms 3520-A: Balance Sheet Items, by Selected Country Where the Trust was Created, p. 419.

Trusts are arrangements in which titles to property are held by persons with fiduciary responsibilities to conserve or protect the property for the benefit of other persons. Foreign trusts are those trusts which exhibit certain characteristics such as being created and governed under the laws of a foreign government and having property and records

maintained outside the United States. Foreign trusts which have U.S. persons as grantors, transferors, or beneficiaries are subject to U.S. tax laws. Information filed with the Internal Revenue Service under these laws was the basis of the data shown in this section of this compendium.

The article in this section includes a brief history of the foreign trust and information on foreign trust activity in 1986. This information was provided by the trusts on Forms 3520 and 3520-A. A copy of each form, titled below, has been reproduced in Section 15 of this compendium.

\* Form 3520, Creation of, or Transfers to, Certain Foreign Trusts, and Instructions (p. 499)

\* Form 3520-A, Annual Return of Foreign Trust with U.S. Beneficiaries, and Instructions (p. 501)

## Foreign Trusts, 1986

By James R. Hobbs\*

U.S. "persons" transferred nearly \$17 million in money and property to trusts located in 17 foreign countries in 1986 [1]. There were 255 transfers made during the year, which brings the average transfer value to \$66,000.

A total of 411 foreign trusts had one or more U.S. beneficiaries during 1986 and had received transfers from U.S. persons during their existence. These foreign trusts had more than \$94 million in total assets and received nearly \$8 million in total income. Their \$2.6 million of net income were included in the taxable income of their U.S. grantors or transferors.

### BACKGROUND

Trusts are fiduciary arrangements created by persons (the "grantors") who transfer their ownership of property to other persons (the "trustees") subject to an obligation to protect and use that property for the benefit of other persons (the "beneficiaries"). The property (or "corpus") can be real or personal, tangible or intangible. The arrangement can be an "inter vivos trust" created by a living grantor, or a "testamentary trust" created as the result of the grantor's will.

The fiduciary relationship of a trust requires substantial management by the trustee, including a duty to act solely in the interest of the beneficiary. The powers, duties, restrictions, and obligations of the trustee, as well as the rights of the beneficiary, are based on the provisions of the trust agreement and the laws of the jurisdiction in which the trust was created. The beneficiary has the right to benefit from the trust's property, usually through receipt of the income produced from investments made by the trustee, or from the distribution of the trust's property itself. Factors a grantor might consider in selecting a jurisdiction in which to create a trust include the political and economic stability of a country, available banking and trust facilities, applicable trust laws, and tax laws.

For a trust to exist, there must be a separation of its ownership interests by the trustee from its beneficial interests. As a result, one person cannot be the grantor, trustee, and sole beneficiary of a trust all at the same time. However, if this person is not a beneficiary or is only one of two or more beneficiaries, then there is a separation of interests between two parties and a valid trust arrangement exists.

(Trusts can have multiple grantors, trustees, and beneficiaries [2].) Similarly, a trust can exist if one of several joint trustees is also the sole beneficiary. Here again, there are at least two parties with separate interests.

The creation of a trust may result in U.S. income taxation of the grantor, the transferor, the trust, and the beneficiary. Domestic trusts are taxed as U.S. citizens or residents, whereas foreign trusts are taxed as nonresidents. The next section discusses foreign trusts in greater detail.

### FOREIGN TRUSTS

Trusts are generally considered to be "foreign" if the fiduciary is a nonresident alien for U.S. tax purposes; if the property is transferred to the fiduciary, the property and records are maintained, and the trust instrument is executed outside the United States; and if the trust is created and governed under the laws of a foreign country. Foreign trusts that have U.S. persons as grantors, transferors, or beneficiaries are also subject to U.S. income taxation.

Section 1491 of the Internal Revenue Code imposes a 35 percent excise tax on certain transfers of property by a U.S. person to a foreign trust. The tax applies to transfers, including sales and exchanges, of appreciated property in which gain, under the tax code, is not realized by the transferor at the time of the transfer. To the extent that the U.S. person realizes a gain for income tax purposes at the time of the transfer (based on the excess of the "fair market value" of the property over its "adjusted basis"), the transfer is not subject to the excise tax.

When a U.S. person (grantor or transferor) directly or indirectly transfers property to a foreign trust with one or more U.S. beneficiaries, "grantor trust rules" apply. Under these rules, the person is treated for U.S. income tax purposes as the owner of the portion of the trust attributable to the transferred property. Furthermore, the person is currently taxed on all items of worldwide income (including capital gains) of the trust, whether distributed or accumulated, that are attributable to that property [3]. Section 679 of the Internal Revenue Code covers these grantor trust rules. That section, however, excludes: (1) testamentary trusts; (2) property transferred to a trust in a sale or exchange when the transferor realizes the gain for tax purposes; and (3) certain stock bonus, pension, or profit-sharing trusts.

The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 combined to make foreign

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persons (including foreign trusts) who sell or exchange U.S. real property liable for a U.S. income tax on the gain realized from the disposition. In general, after December 31, 1984, a transferee of such property is required to deduct from the seller's proceeds, and to withhold for tax purposes, 10 percent of the amount realized on the sale or exchange. This withholding tax may not necessarily equal the actual tax liability of the foreign person on the disposition of the property.

A U.S. beneficiary of a foreign trust is liable for U.S. tax on his or her share of the trust's distributions, subject to a ceiling called "distributable net income" (DNI). The beneficiary includes the distributions received in his or her gross income for the current taxable year. The DNI of a foreign trust is an amount calculated similarly to the way taxable (net) income is calculated, but with certain adjustments. Among these adjustments is the provision to include foreign source income [4].

A foreign trust that does not actually distribute to its beneficiaries all its DNI in a taxable year has "undistributed net income." If, in a subsequent year, a non-grantor foreign trust distributes to its U.S. beneficiaries amounts in excess of the DNI for that year, then the excess amount is treated as an "accumulation distribution" and is taxed to those beneficiaries under "throwback" rules, described in the next paragraph. In addition, interest is charged on the tax deferral resulting from the accumulation of income.

The throwback rules are designed to tax beneficiaries on accumulation distributions at a rate equal to the rate that would have been paid had the income been distributed in the year it was earned by the trust. Beneficiaries are taxed on accumulation distributions in the year they are received. The beneficiaries' tax liability for the prior taxable year(s) in which the trust had undistributed net income is not changed.

A 6-percent simple interest charge per year is imposed on the beneficiary's tax on accumulated distributions from foreign trusts computed under the throwback rules. (This interest charge is not tax deductible.) For purposes of this interest charge, the accumulated distributions do not include foreign trust income for which a grantor had paid U.S. tax on that income. The interest charge is based on the length of time the tax has been deferred because of the trust's accumulation of income. In effect, the interest charge increases the effective income tax rate placed on accumulated distributions of foreign trusts. The total tax and interest charge is limited by the amount of the actual accumulation distribution [5].

#### FILING CHARACTERISTICS OF FORMS 3520

Form 3520, Creation of or Transfers to Certain Foreign Trusts, is required to be filed by any U.S. grantor, transferor,

or fiduciary who created a foreign trust or transferred money or property into an existing foreign trust [6]. This form requires information about the trust and its beneficiaries. It is due within 90 days after the creation of, or transfer of any money or property to, the foreign trust.

During 1986, as already mentioned, U.S. persons transferred \$16.9 million in money and property to 255 foreign trusts, for an average transfer value per trust of \$66,000. By comparison, in 1982 (the most recent prior year for which data are available), the value of transfers was \$11.3 million, and the number of trusts receiving transfers was 342 [7]. As a result, the average transfer value doubled from \$33,000 during the 4-year period.

Most U.S. persons filing Forms 3520 have been grantors. In both 1982 and 1986, grantors accounted for about three-fourths of all filers. Transferors made up most of the remaining filers, with fiduciaries accounting for a very small percentage. Figure A shows the types of filers by percentage.

**Figure A.—Forms 3520: Types of Filers, by Percentage, 1982 and 1986**

Types of filers	1982	1986
All filers.....	100%	100%
Grantors.....	78	72
Transferors.....	19	27
Fiduciaries.....	2	1

NOTE: Detail may not add to totals because of rounding.

Figure B shows the six countries where nearly 90 percent of the foreign trusts were located for 1986. These trusts, in turn, accounted for 60 percent of the total amount of transfers. A small number of trusts created in the Bahamas (not shown separately) accounted for most of the transfers for the "other countries."

**Figure B.—Forms 3520: Number of Trusts, Total and Average Transfer Values, by Country Where the Trust was Created, 1986**

Country	Number of trusts	Total transfer value	Average transfer value per trust
All countries.....	255	\$16,892	\$ 66
Canada.....	127	1,396	11
Cayman Islands.....	43	2,885	67
Channel Islands.....	23	3,195	139
Switzerland.....	13	445	34
Bermuda.....	12	1,733	144
Liechtenstein.....	9	506	56
Other countries.....	28	6,732	240

With the exception of Canada, all the countries listed in Figure B, plus the Bahamas, British Virgin Islands, Gibraltar, and Hong Kong which are included in "other countries," are considered to be "tax haven countries" (described in the next paragraph) [8]. Together these tax havens accounted

for nearly \$15 million, or 89 percent, of the total transfers to foreign trusts by U.S. persons.

Tax haven countries generally have tax and secrecy laws favorable to foreign persons. They attract foreign investment by having no income tax or by offering low income tax rates. Some collect certain fees instead of income taxes. Tax havens also offer bank or commercial secrecy laws that prevent foreign governments from obtaining financial information about persons transacting business in their country.

Cash (\$12.9 million) and corporate stocks (\$1.2 million) made up nearly 84 percent of the total transfers to foreign trusts. Other types of transferred property reported on Forms 3520 included municipal bonds and partnership interests.

"Registered Retirement Savings Plans" received \$1.2 million of transfers by U.S. persons to foreign trusts. These 123 Canadian retirement plans were treated for Canadian income tax purposes in a manner similar to the "Individual Retirement Arrangements" used by U.S. taxpayers to defer taxation on current income set aside for retirement purposes. Although the Registered Retirement Savings Plans accounted for nearly half of the total foreign trusts, they had a low average transfer value (\$9,600). There were two fundamental reasons for this low average. First, these savings plans were generally set up by individuals who transferred funds for the purpose of deferring relatively small amounts of Canadian taxes. Secondly, Canada limited the amount of income on which tax could be deferred.

Most of the foreign trusts that received transfers from U.S. persons in 1986 were created recently. In fact, 230 of them had been created since 1980. Fifty-five were created in 1986 and 103 others in 1985. However, a few foreign trusts were created as far back as the early 1960's.

More than half (145) of the 255 foreign trusts reported on Forms 3520 that they had only one beneficiary; 73 other trusts had between two and four beneficiaries each. The remaining trusts either had five or more beneficiaries (18) or failed to report any information on their beneficiaries (19).

A total of 488 beneficiaries (who were the ultimate recipients of the trust funds) was reported on the Forms 3520, of which 254 were U.S. residents. Persons who resided in Canada (122) and the United Kingdom (45) also were frequent beneficiaries of trusts. Also reported were beneficiaries who resided in France, Israel, New Zealand, West Germany, and the Philippines.

#### FILING CHARACTERISTICS OF FORMS 3520-A

Any U.S. person who directly or indirectly transferred property to a foreign trust (other than an employee's trust or

an annuity plan) with one or more U.S. beneficiaries, was considered for U.S. tax purposes to be the owner of the part of the trust that was attributable to the transferred property. Once the transfer had been made, the person was thereafter required to file Form 3520-A, Annual Return of Foreign Trust with U.S. Beneficiaries, for as long as the trust had at least one U.S. beneficiary [9]. This return, which was required to be filed within 3 and one-half months after the end of the tax year of the grantor or transferor, contained balance sheet and profit-and-loss information for the trust.

Figure C shows income statement and end-of-year balance sheet data for the 411 foreign trusts reported on Forms 3520-A. (Tables 1 and 2, at the end of the article, show these data by selected countries in which the trusts were created.) Their total assets of \$94.5 million were more than double the \$45.2 million of assets reported for 393 foreign trusts for 1982. Average total assets per trust doubled, from \$115,000 for 1982 to \$230,000 for 1986.

**Figure C.—Forms 3520-A: Income Statement and Balance Sheet Items, 1986**

(Money amounts are in thousands of U.S. dollars)

Item	Number or amount
Number of returns.....	411
Total income.....	\$7,872
Dividends.....	1,526
Interest.....	3,195
Net gain (less loss), sales of capital assets.....	2,491
Other income (less loss).....	651
Total expenses.....	5,264
Net income (less deficit).....	2,608
Net income.....	4,273
Total assets.....	94,456
Cash.....	13,273
Government obligations.....	5,502
Non-government obligations.....	15,366
Corporate stock.....	27,334
Other investments.....	12,543
Depreciable assets (net).....	13,471
Other assets.....	6,967
Total liabilities.....	37,339
Net worth.....	57,117

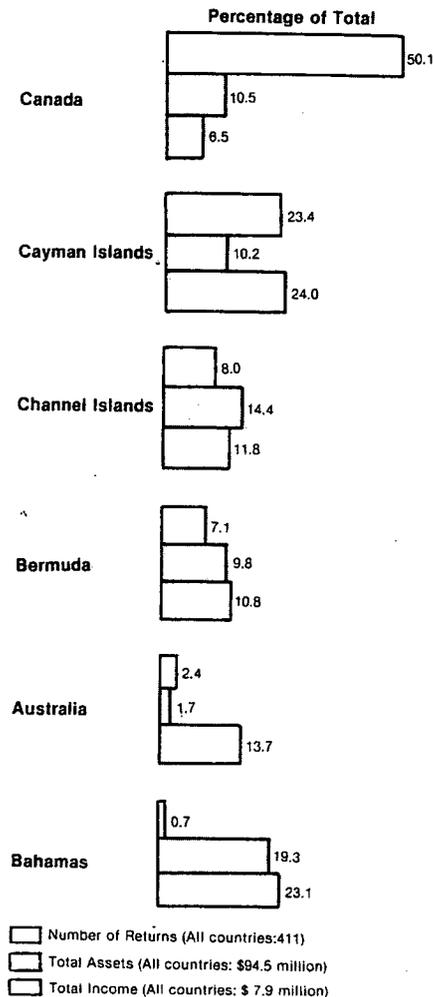
NOTE: Detail may not add to totals because of rounding.

The income statement data shown in Figure C generally represent the share attributable to the U.S. grantor or transferor of the foreign trust (see the Data Sources and Limitations section of this article). The allocable amount was based on the portion of the trust's assets attributable to property transferred by the U.S. person [10].

Most of the income allocable to U.S. grantors and transferors from foreign trusts was investment-related, including interest, dividends, and capital gains. After deducting expenses, net income (less deficit) of \$2.6 million was reported for all the trusts — an average of \$6,300 of net income per trust. These amounts of net income (and losses) were included in the taxable income of the U.S. grantors and transferors [11].

Figure D presents selected data items for trusts by selected foreign countries in which the trusts were created.

Figure D  
Forms 3520-A: Selected Foreign Trust Items, by Country Where Trust was Created, 1986



Only those countries that had trusts accounting for 10 percent or more of the total for all trusts for at least one of the three items shown are included in this figure.

As was the case with Forms 3520, Canadian trusts accounted for half of all Forms 3520-A filed annually. These trusts had relatively small amounts of assets and income, in addition to their low transfer values previously discussed. Of the 206 Canadian trusts, 175 were Registered Retirement Savings Plans.

Trusts in tax haven countries accounted for most of the assets and income reported for all the trusts. In fact, trusts in these countries had 82 percent of the total assets and 84 percent of the total income reported for all the foreign trusts in 1986, while accounting for only 45 percent of the Forms 3520-A filed that year. In addition to the four tax haven countries shown in Figure D, trusts created in the following tax havens are also included in the totals for 1986: British Virgin Islands, Gibraltar, Liechtenstein, Netherlands Antilles, and Switzerland.

There were 15 large trusts in 1986, each having a net worth of \$1 million or more. (Net worth is the difference between total assets and total liabilities.) However, these few trusts accounted for 39 percent of the assets and 33 percent of the total income for all foreign trusts (see Figure E). All but one of these large trusts were created in the tax haven countries.

Figure E.—Forms 3520-A: Income Statement and Balance Sheet Items, for All Foreign Trusts and Trusts with Net Worth of \$1 Million or More, 1986

(Money amounts are in thousands of U.S. dollars)

Item	All trusts	Trusts with net worth of \$1 million or more	Percentage of total
	(1)	(2)	(3)
Number of returns.....	411	15	3.6%
Total income.....	\$ 7,872	\$ 2,606	33.1
Dividends.....	1,526	304	19.9
Interest.....	3,195	608	19.0
Net gain (less loss), sales of capital assets.....	2,491	1,694	68.0
Other income (less loss).....	661	-	-
Total expenses.....	5,264	1,338	25.4
Net income (less deficit).....	2,608	1,268	48.6
Net income.....	4,273	2,247	52.6
Total assets.....	94,456	36,783	38.9
Cash.....	13,273	4,712	35.5
Government obligations.....	5,502	2,472	44.9
Non-government obligations.....	15,366	1,518	9.9
Corporate stock.....	27,334	17,848	65.3
Other investments.....	12,543	4,919	39.2
Depreciable assets (net).....	13,471	4,770	35.4
Other assets.....	6,967	524	7.5
Total liabilities.....	37,339	2,160	5.8
Net worth.....	57,117	34,603	60.6

NOTE: Detail may not add to totals because of rounding.

Although 62 percent of the foreign trusts that filed annual returns for 1986 had been created since 1980, this was substantially less than the 90 percent (230 out of 255) figure

for those filing Forms 3520. The different filing requirements for the forms account for this difference. Forms 3520 were required to be filed within 90 days after a transfer to a foreign trust. Forms 3520-A were required to be filed annually after a transfer to a foreign trust, as long as the trust continued to have at least one U.S. beneficiary. Thus, these forms were often filed for many years. In fact, the 1986 study contained several Forms 3520-A for trusts created in the mid-1950's.

For 1986, grantors filed more than 90 percent of all Forms 3520-A, compared with 72 percent for Forms 3520 (see Figure A, presented earlier). Transferors made up the rest of the filers of the annual returns.

Most (246) of the foreign trusts reported on the annual returns for 1986 as having only one U.S. beneficiary. Another 110 trusts had between two and four U.S. beneficiaries each. The remaining trusts either had five or more U.S. beneficiaries (30) or failed to report any information on their beneficiaries (25). For the 386 foreign trusts which reported beneficiary information, there was a total of 753 U.S. beneficiaries.

#### SUMMARY

Tax haven countries played a large role in foreign trust activity for 1986. Trusts in these countries accounted for nearly \$15 million, or 89 percent, of the transfers by U.S. persons to all foreign trusts. Similarly, annual returns for trusts in these countries accounted for the majority of assets (82 percent) and total income (84 percent) reported for all the foreign trusts.

Canadian trusts, primarily Registered Retirement Savings Plans, made up approximately half of the total foreign trusts for which returns were filed for 1986. However, their aggregate financial values were comparatively small. They accounted for only 8 percent of the value of transfers, and on the annual returns, for only 10 and 7 percent of total assets and income, respectively, for all the foreign trusts.

#### DATA SOURCES AND LIMITATIONS

The statistics for 1986 presented in this article were based on all Forms 3520 and 3520-A filed at the Internal Revenue Service's Philadelphia Service Center between January 1 and December 31, 1986. Because all these returns were used for the statistics, the data are not subject to sampling error.

In the case of multiple transfers by the same U.S. person to the same foreign trust, a single Form 3520 could have been used to combine all the transfers made during a 90-day period. The form would have to include separate

information on each of the transfers. Subsequent transfers were reported on separate Forms 3520, subject to the same 90-day rule.

Because Forms 3520 and 3520-A are information returns, taxpayer reporting is occasionally incomplete. This problem occurred most frequently with Part I, Foreign Trust Income Statement, of Form 3520-A, which shows the income and expense items of the trust and the amount of each apportioned to the U.S. grantor or transferor. In most cases the grantor or transferor portion was used for these statistics. When only the income and expense information for the entire trust was reported, however, the full amounts were used for the statistics.

Because the filing requirements of Forms 3520 and 3520-A were somewhat different, an exact match of forms in the 1986 studies could not be expected. For instance, the filing requirements for Forms 3520-A included the condition of one or more U.S. beneficiaries, while Forms 3520 had no such requirement. On the other hand, Forms 3520 were required to be filed only when a transfer had been recently made, while part of the filing requirements for Forms 3520-A specified the occurrence of a transfer at any time since the trust had been created [12]. As a result of these filing requirement differences, only 76 of the 411 Forms 3520-A indicated that Forms 3520 were also filed for the given trust in 1986.

#### EXPLANATION OF SELECTED TERMS

**Beneficiary.** — For purposes of this article, a person who receives, will receive, or may receive money or property at any time from a foreign trust. This is the person for whose benefit a trust was created.

**Fiduciary.** — Any person who is a trustee, or a character similar to a trustee, and has the duty to act in good faith for the benefit of another person.

**Grantor.** — Any U.S. person who created, or was treated for tax purposes as the owner of, any portion of a foreign trust.

**Transferor.** — Any U.S. person other than the grantor or fiduciary who directly or indirectly transfers money or property to, or for the benefit of, a foreign trust. The term does not refer to a person who transfers money or property in accordance with a sale or exchange that was made for full compensation.

#### NOTES AND REFERENCES

- [1] The term "U.S. person" includes individuals, corporations, partnerships, trusts, and estates. Individuals include U.S. citizens and residents.

[2] Except where otherwise specifically noted, this article uses the singular form of grantor, trustee, or beneficiary. However, for any given trust, any of these may actually be multiple entities.

[3] A nonresident alien, i.e., a non-U.S. person, who establishes a foreign trust with a U.S. beneficiary and retains grantor trust powers, is subject to U.S. income tax only on U.S. source, fixed or determinable income (e.g., interest, dividends, rents, and royalties) and income "effectively connected" with the conduct of a U.S. trade or business.

[4] Section 643 of the Internal Revenue Code specifies the computation of distributable net income.

[5] The Tax Reform Act of 1986 contained several provisions specifically affecting U.S. income taxation of trusts and their related parties. First, in general, tax rates on U.S. taxable income of trusts, grantors and beneficiaries were reduced. Second, trusts were required to make estimated tax payments much as individuals were. The last major provision of the Act related to trusts was that they adopt the calendar year as their taxable year. In general, these provisions were effective for taxable years beginning in 1987.

[6] Section 16.3-1(d)(4) of the Internal Revenue Regulations exempts from these filing requirements payments to foreign trusts for employees.

[7] Foreign trust studies are currently conducted once every 4 years, i.e., 1982, 1986, 1990, etc.

[8] For a complete list of tax haven countries, see Senate Report 99-130, *Crime and Secrecy: The Use of Offshore Banks and Companies*, Report by the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, U.S. Senate, August 28, 1985.

[9] The following types of transfers do not require the filing of a Form 3520-A: (1) transfers made as the result of the death of the transferor; (2) transfers made on or before May 21, 1974; and (3) any sale or exchange of property at fair market value in which the entire gain to the transferor is realized at the time of the sale, or is returned under the Internal Revenue Code section 453 installment method.

[10] The balance sheet information shown in Table 2 represents the total amounts for foreign trusts. Unlike the income statement data, the amounts do not represent only the share attributable to U.S. grantors and transferors.

[11] See the income reported from "estates and trusts" in *Statistics of Income - Individual Income Tax Returns*, Internal Revenue Service, U.S. Department of the Treasury.

[12] Forms 3520-A were filed by U.S. persons who directly or indirectly transferred property to foreign trusts with one or more U.S. beneficiaries. In the case of two transferors or grantors who did not file joint U.S. income tax returns but did transfer property to the same trust, two Forms 3520-A would have been filed for that trust. To this extent, the 411 Forms 3520-A shown in the data would not actually represent 411 different foreign trusts.

**Table 1.—Forms 3520-A: Income Statement Items, by Selected Country Where the Trust was Created**  
(Money amounts are in thousands of U.S. dollars)

Country where trust was created	Number of returns	Income					Total expenses	Net income (less deficit)
		Total	Dividends	Interest	Net gain (less loss), sales of capital assets	Other income (less loss)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries.....	411	7,872	1,526	3,195	2,491	661	5,264	2,608
Canada.....	208	515	8	95	3	408	496	18
Cayman Islands.....	96	1,888	( <sup>1</sup> )	222	1,689	-22	380	1,509
Channel Islands.....	33	930	6	909	17	-3	638	232
Bermuda.....	29	846	117	169	520	41	42	805
Australia.....	10	1,078	1,027	46	7	-2	959	119
British Virgin Islands.....	8	( <sup>1</sup> )	-	( <sup>1</sup> )	-	-	407	-407
Liechtenstein.....	7	216	-	208	8	-	29	187
Gibraltar.....	5	517	-	187	-	-	67	450
Bahamas.....	3	1,821	-	1,335	247	240	1,245	576
Switzerland.....	3	16	3	13	-	( <sup>1</sup> )	13	3
United Kingdom.....	3	35	35	1	-	-	982	-946

<sup>1</sup> Less than \$500.  
NOTE: Detail may not add to totals because of rounding. Data for certain countries are not shown to avoid disclosure of information about specific trusts. The data shown in this table generally represent the share attributable to the U.S. grantors or transferors of the foreign trusts. (See the Data Sources and Limitations section of this article.)

**Table 2.—Forms 3520-A: Balance Sheet Items, by Selected Country Where the Trust was Created**  
(Money amounts are in thousands of U.S. dollars)

Country where trust was created	Number of returns	Assets								Total liabilities	Net worth
		Total	Cash	Government obligations	Non-government obligations	Corporate stock	Other investments	Depreciable assets (net)	Other assets		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All countries.....	411	94,456	13,273	5,502	15,386	27,334	12,543	13,471	6,967	37,339	57,117
Canada.....	206	9,900	1,191	-	109	51	136	8,006	407	8,439	1,461
Cayman Islands.....	96	9,875	1,490	4	-	5,451	1,711	223	797	3,258	6,317
Channel Islands.....	33	13,580	3,718	1,343	-	1,373	2,885	453	3,808	4,265	9,315
Bermuda.....	29	9,239	1,134	1,862	-	1,864	4,269	-	110	403	8,837
Australia.....	10	1,585	254	-	-	271	275	19	766	766	819
British Virgin Islands.....	8	5,846	83	-	-	5,430	125	-	208	5,046	799
Liechtenstein.....	7	3,830	1,257	-	1,518	-	200	-	655	327	3,303
Gibraltar.....	5	3,687	2,425	1,261	-	1	-	-	-	-	3,687
Bahamas.....	3	18,239	1,642	1,000	13,682	-	1,705	-	209	14,584	3,655
Switzerland.....	3	926	2	-	56	-	866	-	2	52	874
United Kingdom.....	3	5,124	20	33	-	-	299	4,770	2	2	5,122

NOTE: Detail may not add to totals because of rounding. Data for certain countries are not shown to avoid disclosure of information about specific trusts.

## Section 14 Nonresident Alien Estates

### Contents

Introduction, p. 421.

"Nonresident Alien Estates, 1986," p. 423.

Table 1.-- Nonresident Alien Estates, Date of Death, 1986: Gross U.S. and World Estates, Deductions, Taxable Estate, Estate Tax and Credits, by Size of Gross U.S. Estate and Selected Country of Domicile of Decedent, p. 430.

The estates of nonresident aliens, who have property in the United States at the time of death, are subject to U.S. estate taxation. A nonresident alien decedent is an individual who was neither a citizen nor resident of the United States at the time of death. The tax imposed on the estate was a graduated tax, with rates ranging from 6 percent for property valued under

\$100,000 to 30 percent for property valued in excess of \$2,000,000. The estate could reduce its final estate tax liability through certain deductions and credits.

The paper included in this section describes some of the characteristics of the nonresident alien estates and some of the differences between those estates and the estates of U.S. citizens and aliens domiciled in the United States at time of death. The paper also details some of the available deductions and credits for the estates of nonresident aliens.

All of the data are based on information from Forms 706NA, filed for nonresident aliens with dates of death in 1986. A copy of this form, titled below, has been reproduced in Section 15 of this compendium.

\* Form 706NA, United States Estate Tax Return, and Instructions (p. 433)

## Nonresident Alien Estates, 1986

By DeWitt Long

The United States imposes an estate tax based on the portion of the estate of a nonresident alien that is located within the United States. Total gross U.S. estate of \$62.0 million and total U.S. estate tax after credits of \$6.5 million was reported for the estates of nonresident aliens who died during 1986.

### TAXATION OF THE ESTATES OF NONRESIDENT ALIENS

The United States imposes an estate tax on the estates of nonresident aliens. A nonresident alien is an individual who is not a citizen or resident of the United States at the time of the individual's death. For estate tax purposes, residency is equated with domicile, i.e., the individual's permanent home [1]. For a place to qualify as a decedent's domicile, the decedent prior to death must have been physically present there. Further, the decedent must have had no present intent to move from the place. The determination of a decedent's domicile involves an examination of the totality of the decedent's lifestyle to see whether it was centered in the United States or some other place. Among the factors considered are the location of the decedent's family, friends, and religious and social affiliations; the size, cost and location of the decedent's personal residence; the location and the type of business the decedent was engaged in; and the duration and purpose of any time that the decedent spent in the United States [2]. In addition to these factors, the decedent's immigration status is usually considered, although this factor alone is not determinative [3]. Also, the provisions of an applicable estate tax treaty with another country may affect the determination of estate tax residency [4].

In general, the estate of a nonresident alien decedent is taxed on that portion of the alien's gross estate located in the United States [5]. Gross U.S. estate is that part of the nonresident alien's gross estate (determined under Code section 2031) that is located in the United States at the time of the nonresident alien's death, and generally includes all the nonresident alien's property [6]. The location of property is determined under several general and specific situs rules. Both real property and tangible

personal property are sited to the physical location of the property. For example, real estate located in the United States owned by the nonresident alien is included in the decedent's gross U.S. estate, but real estate located outside the United States is not. Intangible property, such as a patent or a copyright, is sited to the location of the person who issues the intangible or against whom the rights to the intangible can be enforced [7]. An interest in a trust or estate is generally sited to the location of the underlying assets [8].

In addition to the general situs rules, the Internal Revenue Code contains special rules for determining the location of particular types of property. Under Code section 2104, property within the United States includes stock issued by a U.S. corporation [9]. Also, U.S. property includes any property that was transferred by the decedent in a way that would require inclusion of the property in the decedent's gross estate under the provisions of Code sections 2035, 2036, 2037 and 2038, provided that the property was located in the United States at either the time of transfer or the time of the decedent's death [10]. In addition, property within the United States includes the debt obligations of a U.S. person or governmental entity, and deposits in a U.S. branch of a foreign commercial bank [11,12].

Code section 2105 enumerates certain types of property owned by a nonresident alien decedent considered to be located outside the United States. Property located outside the United States includes proceeds payable under an insurance policy on the life of the decedent, certain types of debt obligations, and works of art on loan for exhibition to a public gallery or museum at the time of the decedent's death [13,14].

The U.S. estate tax is imposed on the decedent's taxable estate. Taxable estate is determined by reducing the nonresident alien's gross U.S. estate by any allowable deductions [15]. Several types of deductions are allowed to the estates of nonresident aliens. The estate may deduct the same expenses allowed estates of U.S. citizens and residents under Code sections 2053 and 2054.

Deductible expenses allowed under Code section 2053 include funeral expenses, administration expenses, claims against the estate, and indebtedness on property (where the total value of the property is included in gross estate). To be deductible, these expenses must be allowed to the estate under the law of the jurisdiction where the estate is administered [16]. Under Code section 2054, the estate can deduct losses incurred during the settlement of the estate from casualty or theft. In computing the allowable deduction for expenses under Code sections 2053 and 2054, the estate must limit the deduction to the ratio that gross U.S. estate bears to gross worldwide estate [17].

In addition to the deduction for expenses under Code sections 2053 and 2054, the estate of a nonresident alien was allowed a deduction for charitable transfers under Code section 2106(a)(2). The estate can deduct contributions made to public entities or to qualifying U.S. organizations, that meet the tax-exempt requirements of Code section 501(c)(3). Also, in certain cases, a nonresident alien's estate was allowed a deduction for certain transfers of property to the alien's spouse [18].

Figure A.—U.S. Estate Tax Schedule for Nonresident Aliens, 1986

Amount on which tax is computed	Amount of tax
\$100,000 or less	6 percent of amount
Over \$100,000 to \$500,000	\$6,000 plus 12 percent of excess over \$100,000
Over \$500,000 to \$1,000,000	\$54,000 plus 18 percent of excess over \$500,000
Over \$1,000,000 to \$2,000,000	\$144,000 plus 24 percent of excess over \$1,000,000
Over \$2,000,000	\$384,000 plus 30 percent of excess over \$2,000,000

While the estate tax is imposed on the decedent's taxable estate, the amount of the estate tax is determined by calculating the amount of tax on the sum of the decedent's taxable estate and "adjusted taxable gifts" minus the amount of estate tax on adjusted taxable gifts [19]. The tax rates, which appear in Figure A, are progressive, ranging from 6 percent on amounts less than \$100,000 to 30 percent on amounts in excess of \$2 million.

The estate of a nonresident alien could reduce its estate tax by claiming several credits. First, the estate could claim a "unified credit" of up to \$3,600. This credit served to effectively exempt estates from the U.S. estate tax if the taxable estate was less than \$60,000 [20]. Also, the nonresident alien's estate could claim those credits allowed the estates of U.S. citizens and residents under Code sections 2011, 2012, and 2013. Code section 2011 allows a limited credit for State death taxes paid. State death taxes include any estate, inheritance, legacy, or succession tax paid to any State or the District of Columbia on property that was included in gross U.S. estate [21]. Code section 2012 allows a limited credit for taxes paid on gifts when the value of the gifts must be included in gross

U.S. estate [22]. Code section 2013 allows a limited credit for taxes on prior transfers, that is, for the Federal estate tax paid on the transfer of property to the decedent by another person who died within 10 years before or 2 years after the decedent.

#### ESTATE TAXATION OF U.S. CITIZENS AND RESIDENTS AND NONRESIDENT ALIENS

Several major differences exist between the taxation of the estates of nonresident aliens and the estates of citizens and residents of the United States. First, the estate of a U.S. citizen or resident is taxed on its worldwide property, whereas the estate of a nonresident alien is taxed, in general, only on that property located within the United States at the time of death [23].

A second major difference relates to the rate of tax imposed on the estate. The estate of a U.S. citizen or resident is taxed under the rates contained in Code section 2001(c). These rates range from 18 percent for taxable estates of less than \$10,000 to 55 percent for taxable estates over \$3 million. However, the estates of nonresident aliens who died in 1986 are subject to significantly lower estate tax rates under Code section 2101(d) [24].

Two significant differences exist with respect to deductions. The estate of a U.S. citizen or resident is entitled to a marital deduction for all property transferred to the surviving spouse [25]. The estate of a nonresident alien who died in 1986 is generally not entitled to a marital deduction, except as provided for in several estate tax treaties. Also, the estate of a U.S. citizen or resident can deduct virtually all charitable contributions, whereas the estate of a nonresident alien can only deduct certain contributions [26].

A final difference involves allowable credits. The estate of a U.S. citizen or resident is entitled to a unified credit of \$192,800. This credit effectively exempts from tax a taxable estate with less than \$600,000 of assets [27]. As previously mentioned, the estate of nonresident aliens who died in 1986 is entitled to a unified credit of \$3,600, which effectively exempts estates from estate taxation if taxable estate is less than \$60,000. Also, the credits for State death taxes, gift taxes, and taxes on prior transfers allowed to the estates of nonresident aliens are subject to special limitations [28].

#### DATA ANALYSIS

Estate tax returns were filed for the estates of 161 nonresident alien decedents who died during 1986. Total gross U.S. estate of \$62,017,417 was reported for these

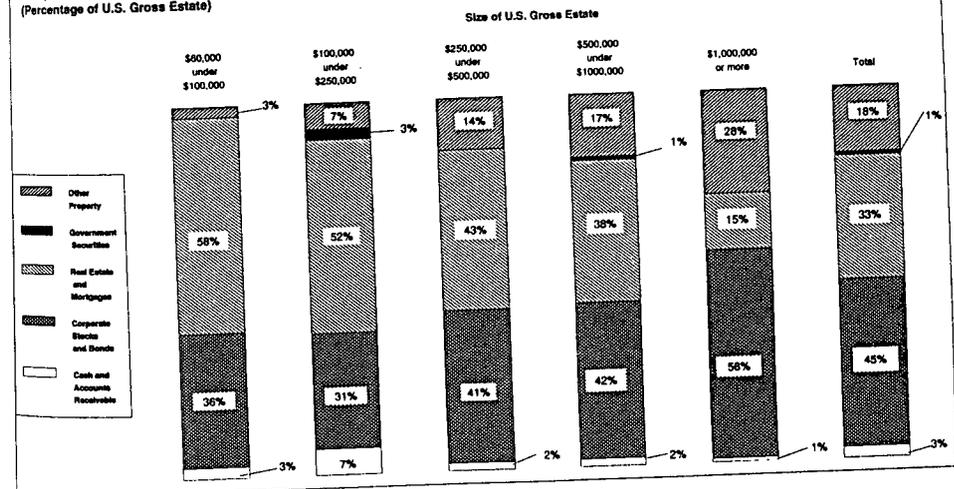
decedents. The average gross U.S. estate was \$385,201, an increase of 38.1 percent from 1982, the last previous year for which data are available.

Of the 161 returns filed, 89 returns showed the foreign component of gross estate, 55.3 percent of the total number of returns. Gross foreign estate had to be reported only if deductions attributable to gross worldwide estate were allocated to gross U.S. estate. These 89 returns showed total gross U.S. estate of \$41,390,447 and total gross worldwide estate of \$218,983,544. Total gross foreign estate was thus \$177,593,097, which was 76.0 percent greater than 1982 [29].

Stocks and bonds, and real estate and mortgages, constituted the largest categories of property in gross U.S. estate. Together these two categories comprised 78.2 percent of total U.S. property reported. The total value of corporate stocks and bonds reported for the estates of nonresident aliens was \$27,770,401. This amount was a 34.4 percent increase over 1982. Real estate and mortgages equaled \$20,709,960, up 4.1 percent from 1982. However, the greatest increase was for "other property," which was reported as \$11,418,566, nearly triple the amount reported for 1982 [30].

As indicated in Figure B, the relative composition of U.S. assets changed with the size of gross estate. In general, the larger the estate, the greater the proportion of stocks and bonds and other property, and the smaller the proportion of real estate and mortgages. With respect to the smallest estates (i.e., those with assets between \$60,000 and \$100,000), real estate constituted 58.2 percent of U.S. assets, stocks and bonds, 35.6 percent, and other property, 3.0 percent. For the largest estates (i.e., those with assets of \$1 million or more), real estate was only 14.8 percent of U.S. property, whereas stocks and bonds constituted 55.7 percent, and other property, 28.1 percent. With respect to individual countries, the largest number of returns were filed for the estates of Canadian decedents. Estate tax returns were filed for the estates of 51 Canadian decedents. These returns comprised nearly one-third of the total number of returns filed. However, many of these returns were filed for relatively small estates. The average gross U.S. estate for returns of Canadian decedents was only \$219,506. Furthermore, these returns accounted for only 18.1 percent of the total U.S. property reported for nonresident alien estates. United Kingdom (U.K.) decedents also had relatively small estates. Although 7.5 percent of the returns were filed for the estates of U.K. decedents, the average estate size was only \$180,647. U.K. returns accounted for only 3.5 percent of the total U.S. property. On the other hand, the estates of West German and Venezuelan decedents

Figure B. Composition of U.S. Gross Estates by Size of Estates (Percentage of U.S. Gross Estate)



were substantially larger than average. About 6.8 percent of the returns were filed for the estates of West German decedents. These estates had an average size of \$659,718 and accounted for nearly 11.7 percent of total U.S. property. In addition, although only 5.0 percent of the returns were filed for the estates of Venezuelan decedents, these estates had an average size of \$1,740,669 and accounted for 22.5 percent of total U.S. property. However, if the returns filed for the few wealthiest decedents are excluded, the average estate size of Venezuelan decedents was substantially lower.

Expenses of \$21,071,425 were reported for the estates of nonresident aliens. This amount was about \$4 million less than 1982. Of this total, \$6,119,675 were deducted from gross U.S. estate [31]. The combined amount for charitable and marital deductions was \$1,889,995, an increase of 746.8 percent from 1982. This increase appeared to be mainly due to the marital deduction. Ten returns showed marital deductions totalling \$1,858,528 [32].

Total taxable U.S. estate was \$53,933,747, an increase of 30.3 percent over 1982. The gross estate tax was \$8,054,638, so that the average tax rate was 14.9 percent. Credits of \$1,534,235 against the gross estate tax were claimed for the estates of nonresident aliens. The largest credit claimed was for State death taxes, \$849,956. This amount represented a 169.0 percent increase from 1982. The second largest credit was the unified credit, \$613,897, a decrease of 1.4 percent from 1982. After credits, the tax liability of the estates of nonresident aliens was \$6,520,403, an increase of 69.4 percent over 1982.

#### SUMMARY

The taxable estates of nonresident alien decedents are generally subject to U.S. estate tax on that property located within the United States. Taxable estate is determined by reducing gross estate by allowable deductions. The estate tax can be reduced by several credits.

Estate tax returns were filed for 161 nonresident alien decedents who died during 1986. Property located within the United States accounted for \$62,017,417 of the worldwide estate of these decedents. The largest categories of U.S. property were stocks and bonds, and real estate and mortgages, which accounted for 44.8 percent and 33.4 percent, respectively, of gross U.S. estate. Taxable estate totaled \$53,933,747, and the gross estate tax equaled \$8,054,638. After taking credits of \$1,534,235, the estates of nonresident aliens faced a U.S. estate tax of \$6,520,403.

#### DATA SOURCES AND LIMITATIONS

The data contained in this article and the following table were reported on all Forms 706NA, United States Estate Tax Return, Estate of nonresident not a citizen of the United States, filed at the Philadelphia Service Center between January 1986, and October 1988, by personal representatives of the decedents reporting a date of death during 1986. No sampling errors exist since the entire population was included in the study. However, the data contained here do not include information reported on returns with a taxable estate of less than \$60,000, returns showing assets exempt from U.S. estate taxation under the provisions of an applicable estate tax treaty, and returns that were erroneously filed.

The personal representative of the estate had 9 months following the decedent's death to file the return. A 6-month extension could be requested. However, possible delinquencies may have occurred. Therefore, the population may be slightly understated.

One potential data limitation should be mentioned. Seventy-three returns did not report any foreign assets. Therefore, the amounts shown in Table 1 for gross foreign estate and gross worldwide estate do not include the foreign assets for all nonresident alien estates.

#### DEFINITIONS OF SELECTED TERMS

**Domicile** - Domicile is the place where an individual's permanent home is located and from which the individual has no present intention of moving.

**Gross estate** - Gross estate includes all interests in property that were owned by the decedent at the time of death, that were subject to a power of acquisition at the time of the decedent's death, that were transferred during the decedent's lifetime in a manner substantially equivalent to a transfer under a will, or that were passed to the decedent tax-free through the use of the marital deduction. Gross worldwide estate includes all property included in gross estate no matter where it is located. However, the foreign component of gross worldwide estate had to be reported only if deductions had to be allocated between the foreign and U.S. estate. Gross U.S. estate includes only that portion of gross estate located within the United States.

**Personal representative** - A personal representative is an executor or administrator of an estate.

**Taxable estate** - Taxable estate is the value of the

decedent's interests in property net of allowable deductions.

#### NOTES AND REFERENCES

- [1] Treasury Regulation section 20.0-1(b). Residency for estate tax purposes differs from residency for income tax purposes. Under Internal Revenue Code section 7701(b), a resident for income tax purposes is an individual who meets the requirements of either the lawful permanent resident test or the substantial presence test. For additional information about residency requirements for income tax purposes, see, for example, Kaplan, Richard L., *Federal Taxation of International Transactions*, West Publishing Company, 1988, pp. 529-35.
- [2] For additional information about the factors considered in determining domicile, see, for example, Oliver, Harry Gordon, "Estate and Gift Tax Planning for Nonresidents," *International Tax Journal*, Fall 1986, p. 300; and Schuldenfrei, A. Finley, Stark, Elwood V. and Cline, Judith Hankins, "Estate Planning Considerations for Nonresident Aliens," *The Tax Adviser*, November 1985, p. 695.
- [3] Revenue Ruling 80-209, 1980-2 Cumulative Bulletin 248, U.S. Internal Revenue Service (1980).
- [4] See, for example, *Estate and Gift Tax Treaty Between the United Kingdom and the United States*, Article 4.
- [5] Special rules apply to the taxation of expatriates and residents of U.S. possessions. Under Code section 2107, an expatriate is a U.S. citizen who has lost citizenship within 10 years of death if a principal purpose for the loss of citizenship was the avoidance of U.S. tax. If a nonresident alien is an expatriate, then the alien's estate is taxed under the tax rates that apply to U.S. citizens and residents. Also, the estate of an expatriate must include in gross U.S. estate the value of the assets of a foreign corporation if the decedent owned (directly or indirectly) 10 percent or more of the voting stock of the corporation, or owned (directly, indirectly, or constructively) at least 50 percent of the total combined voting power of all stock of the corporation. For additional information about these special rules, see, for example, Schuldenfrei, Stark and Cline, op. cit. note 2 at p. 703. In addition, under Code section 2107(c), an expatriate is allowed a unified credit of up to \$13,000. Under Code section 2209, a U.S. citizen residing in a U.S. possession is considered to be a nonresident (and is taxed as such) if the individual acquired U.S. citizenship solely by reason of being a citizen of a U.S. possession, or by birth or residency within a U.S. possession. All other residents of U.S. possessions are treated as citizens of the United States.
- [6] Gross estate includes all property, real or personal, tangible or intangible, that was owned by the decedent at the time of death, that was subject to a power of acquisition at the time of the decedent's death, that was transferred during the decedent's lifetime in a manner substantially equivalent to a transfer under a will, or that was passed to the decedent tax-free through the use of the marital deduction.
- [7] Treasury Regulation section 20.2104-1(a).
- [8] Schuldenfrei, Stark and Cline, op. cit. note 2 at p. 700.
- [9] Conversely, the stock of a foreign corporation is generally considered to be property located outside the United States. However, in certain cases, U.S. property owned by a foreign corporation controlled by the nonresident alien may be included in the nonresident alien's gross U.S. estate. For more information about this inclusion of property in the nonresident alien's estate, see, for example, Oliver, op. cit. note 2 at p. 300.
- [10] Code sections 2035-2038 require the inclusion in gross estate of certain property transferred by the decedent with restrictions prior to death. Code section 2035 requires the inclusion in gross estate of property transferred by the decedent within 3 years of the decedent's death. Code section 2036 requires the inclusion in gross estate of transferred property in which the decedent has either retained the right to possess or enjoy the property, or the power to designate who shall possess or enjoy the property. Code section 2037 requires the inclusion in gross estate of property in which the decedent retained an express reversionary interest that another person can possess or enjoy only by surviving the decedent. Code section 2038 requires the inclusion in gross estate of property transferred by the decedent in which the decedent retained the power to alter, amend, revoke or terminate the transfer.
- [11] A U.S. person is a citizen or resident of the United States, a domestic corporation or partnership, and an estate or trust that is not considered under the Internal Revenue Code to be a foreign estate or trust.
- [12] Code section 2104 does not apply to a debt obligation if Code section 2105(b) (relating to certain debt obligations considered to be property located out-

side the United States) applies, or if any interest on the obligation would be treated as income from sources outside the United States under Code section 861(a)(1)(B) (relating to interest from a domestic corporation with less than 20 percent of its gross income over a 3 year period from within the United States), Code section 861(a)(1)(G) (relating to interest on certain foreign debt obligations acquired before July 1, 1974), and Code section 861(a)(1)(H) (relating to interest on certain debt obligations of foreign obligors that are guaranteed by a U.S. person).

- [13] The debt obligations considered to be located outside the United States include (1) amounts described in Code section 861(c) (i.e., certain deposits with banks, and savings and loan associations, and amounts held by an insurance company under an agreement to pay interest on the amounts), if the interest on the amounts would be treated under Code section 861(a)(1)(A) as income from sources outside the United States (i.e., interest income not effectively connected with a trade or business within the United States that is deposited in a domestic bank or a U.S. branch of a foreign bank); (2) deposits in a foreign branch of a domestic bank; and (3) debt obligations, if the interest on the obligation were exempt from tax under Code section 871(h)(1) (relating to the exemption for portfolio interest from the tax imposed on the income of nonresident aliens not connected with a U.S. business).
- [14] In addition to these general and specific situs rules, the location of property may be affected by the provisions of an estate tax treaty.
- [15] Code section 2106.
- [16] In addition, deductions are limited to the amount of property included in gross U.S. estate.
- [17] For example, if gross U.S. estate equals \$1 million, gross worldwide estate equals \$2 million, and expenses under Code sections 2053 and 2054 equal \$500,000, then the allowable deduction under Code section 2106(a)(1) equals:  
 $(\$1 \text{ million} / \$2 \text{ million}) \times \$500,000 = \$250,000$
- [18] A marital deduction may be allowed the estate of a nonresident alien under an applicable tax treaty. For example, Article 8 of the Estate and Gift Tax Treaty Between the United Kingdom and the United States allows a marital deduction (to the extent it is allowed to a U.S.-domiciled decedent) for transfers of U.S. property by a U.K.-domiciled decedent to the decedent's spouse.
- [19] Adjusted taxable gifts is the total amount of taxable gifts made by the decedent after December 31, 1976, except for gifts otherwise included in the decedent's gross estate. Adjusted taxable gifts is included in the estate tax calculation in order to prevent taxpayers from avoiding the impact of the progressive estate tax rates by making pre-death gifts. [31] Expenses were reported on the 89 returns that reported gross foreign estate and by 13 returns which only reported U.S. assets. This latter group showed deductions of \$519,527.
- [20] Code section 2102(c). Estate tax returns were not required if taxable estate was less than \$60,000. Therefore, these estates are not included in the statistics.
- [21] Two limitations are imposed on the credit that the estate of a nonresident alien can take for State death taxes. Under Code section 2011(b), the credit is limited to a certain percentage of "adjusted taxable estate." In addition, under Code section 2102(b), the State death tax credit is limited to a percentage determined by dividing the value of property on which the State tax is imposed by the nonresident alien's gross U.S. estate.
- [22] This credit applies only to gifts made before 1977 of property that was subject to gift taxation and which is included in the decedent's gross U.S. estate. With the unification of the estate and gift tax systems by the Tax Reform Act of 1976, the credit is no longer necessary.
- [23] Code sections 2031, 2103.
- [24] In 1988, Code section 2102 was amended so that the rates imposed on U.S. persons under Code section 2001 apply to the estates of nonresident aliens who died after November 10, 1988.
- [25] Code section 2056. There are a number of limitations on the deduction where the interest passing to the surviving spouse is a terminable interest.
- [26] Code sections 2055, 2106(a)(2).
- [27] Code section 2010.

[28] Code section 2102.

[29] Gross foreign estate, as well as gross worldwide estate, may be underreported since only 89 returns reported an amount for foreign gross estate.

[30] As used in this article, "other property" includes all property other than cash and accounts receivable, corporate stocks and bonds, real estate and mortgages, and government securities.

[31] Expenses were reported on the 89 returns that reported gross foreign estate and by 13 returns which only reported U.S. assets. This latter group showed deductions of \$519,527.

[32] The amount for the charitable and marital deductions are combined on the Form 706NA, United States Estate Tax Return, Estate of nonresident not a citizen of the United States. However, ten returns, accounting for the bulk of the combined charitable and marital deductions had an attached schedule indicating the amount of the marital deduction.

Nonresident Alien Estates, 1986

Table 1--Gross U.S. and Worldwide Estates, Deductions, Taxable Estate, Estate Tax and Credits, by Selected Country of Domicile of Decedent and Size of Gross U.S. Estate  
 [Money amounts are in U.S. dollars]

Selected countries and size of gross U.S. estate	Number of returns	Gross assets					Total	Estate outside the United States*			Estate in the United States			Total	Gross estate tax	U.S. estate tax	U.S. estate tax after credits				
		(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)					(12)	(13)	(14)	(15)
All countries, total	6,063,670	239,153,814	177,927,697	62,017,417	1,622,206	27,770,401	20,709,860	48,628	11,410,666	11,410,666	21,071,425	1,798,890	1,798,890	21,071,425	1,798,890	1,798,890	1,798,890				
\$50,000 under \$100,000	34	8,485,271	4,942,744	3,508,337	1,611,121	866,584	633,629	1,003	3,068,337	3,068,337	8,485,271	1,798,890	1,798,890	8,485,271	1,798,890	1,798,890	8,485,271				
\$100,000 under \$500,000	66	125,101,653	65,949,212	23,068,051	18,426,911	9,490,667	3,779,019	378,111	19,658	19,658	125,101,653	1,798,890	1,798,890	125,101,653	1,798,890	1,798,890	125,101,653				
\$500,000 under \$1,000,000	22	49,024,729	25,068,051	11,194,785	22,786,672	12,786,734	6,370,443	18,719,019	18,719,019	18,719,019	49,024,729	1,798,890	1,798,890	49,024,729	1,798,890	1,798,890	49,024,729				
\$1,000,000 and over	7	60,644,759	48,649,445	11,194,785	22,786,672	12,786,734	6,370,443	18,719,019	18,719,019	18,719,019	60,644,759	1,798,890	1,798,890	60,644,759	1,798,890	1,798,890	60,644,759				
Canada, total	61	6,304,750	4,849,445	1,194,785	2,276,672	1,276,734	637,443	1,819,019	1,819,019	1,819,019	6,304,750	1,798,890	1,798,890	6,304,750	1,798,890	1,798,890	6,304,750				
\$50,000 under \$100,000	29	2,523,940	1,111,226	415,226	869,672	469,672	239,672	699	869	869	2,523,940	1,798,890	1,798,890	2,523,940	1,798,890	1,798,890	2,523,940				
\$100,000 under \$500,000	24	7,705,854	3,300,396	1,111,226	2,276,672	1,276,734	637,443	1,819,019	1,819,019	1,819,019	7,705,854	1,798,890	1,798,890	7,705,854	1,798,890	1,798,890	7,705,854				
\$500,000 and over	8	22,955,718	17,866,703	4,818,015	18,559,699	10,811,015	3,228,325	18,559,699	18,559,699	18,559,699	22,955,718	1,798,890	1,798,890	22,955,718	1,798,890	1,798,890	22,955,718				
United Kingdom	12	11,726,859	9,571,196	2,167,763	4,662	3,627,321	1,827,321	3,627,321	3,627,321	3,627,321	11,726,859	1,798,890	1,798,890	11,726,859	1,798,890	1,798,890	11,726,859				
West Germany	1	17,465,464	16,208,571	7,256,863	2,022,300	3,800,811	3,800,811	2,022,300	2,022,300	2,022,300	17,465,464	1,798,890	1,798,890	17,465,464	1,798,890	1,798,890	17,465,464				
Venezuela	6	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,338,119	1,798,890	1,798,890	1,338,119	1,798,890	1,798,890	1,338,119				
Mexico	7	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	2,718,419	1,798,890	1,798,890	2,718,419	1,798,890	1,798,890	2,718,419				
Switzerland	6	68,478,126	65,620,026	2,858,100	2,858,100	2,858,100	2,858,100	2,858,100	2,858,100	2,858,100	68,478,126	1,798,890	1,798,890	68,478,126	1,798,890	1,798,890	68,478,126				
Australia	4	23,336,356	20,245,278	3,101,078	3,101,078	3,101,078	3,101,078	3,101,078	3,101,078	3,101,078	23,336,356	1,798,890	1,798,890	23,336,356	1,798,890	1,798,890	23,336,356				
Belgium	4	4,462,525	2,792,065	2,792,065	2,792,065	2,792,065	2,792,065	2,792,065	2,792,065	2,792,065	4,462,525	1,798,890	1,798,890	4,462,525	1,798,890	1,798,890	4,462,525				
Denmark	4	971,550	500	500	500	500	500	500	500	500	971,550	1,798,890	1,798,890	971,550	1,798,890	1,798,890	971,550				
Hong Kong	4	1,202,177	229,689	229,689	229,689	229,689	229,689	229,689	229,689	229,689	1,202,177	1,798,890	1,798,890	1,202,177	1,798,890	1,798,890	1,202,177				
India	3	1,365,968	60,147	60,147	60,147	60,147	60,147	60,147	60,147	60,147	1,365,968	1,798,890	1,798,890	1,365,968	1,798,890	1,798,890	1,365,968				
Italy	3	1,365,968	60,147	60,147	60,147	60,147	60,147	60,147	60,147	60,147	1,365,968	1,798,890	1,798,890	1,365,968	1,798,890	1,798,890	1,365,968				
All other countries*	37	23,410,970	9,841,919	13,788,951	142,989	427,649	427,649	142,989	142,989	142,989	23,410,970	1,798,890	1,798,890	23,410,970	1,798,890	1,798,890	23,410,970				
Selected countries and size of gross U.S. estate	Total	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
All countries, total	6,063,670	6,183,678	4,849,445	1,194,785	2,276,672	1,276,734	637,443	1,819,019	1,819,019	1,819,019	6,183,678	1,798,890	1,798,890	6,183,678	1,798,890	1,798,890	6,183,678				
\$50,000 under \$100,000	155,338	155,338	155,338	155,338	155,338	155,338	155,338	155,338	155,338	155,338	155,338	1,798,890	1,798,890	155,338	1,798,890	1,798,890	155,338				
\$100,000 under \$500,000	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,389,020	1,798,890	1,798,890	1,389,020	1,798,890	1,798,890	1,389,020				
\$500,000 under \$1,000,000	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,478,465	1,798,890	1,798,890	1,478,465	1,798,890	1,798,890	1,478,465				
\$1,000,000 and over	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	3,633,225	1,798,890	1,798,890	3,633,225	1,798,890	1,798,890	3,633,225				
Canada, total	885,077	885,077	684,674	200,203	200,203	200,203	200,203	200,203	200,203	200,203	885,077	1,798,890	1,798,890	885,077	1,798,890	1,798,890	885,077				
\$50,000 under \$100,000	71,205	71,205	71,205	71,205	71,205	71,205	71,205	71,205	71,205	71,205	71,205	1,798,890	1,798,890	71,205	1,798,890	1,798,890	71,205				
\$100,000 under \$500,000	620,540	620,540	493,477	127,063	127,063	127,063	127,063	127,063	127,063	127,063	620,540	1,798,890	1,798,890	620,540	1,798,890	1,798,890	620,540				
\$500,000 and over	131,812	131,812	110,932	20,880	20,880	20,880	20,880	20,880	20,880	20,880	131,812	1,798,890	1,798,890	131,812	1,798,890	1,798,890	131,812				
United Kingdom	978,510	978,510	978,510	978,510	978,510	978,510	978,510	978,510	978,510	978,510	978,510	1,798,890	1,798,890	978,510	1,798,890	1,798,890	978,510				
West Germany	427,439	427,439	427,439	427,439	427,439	427,439	427,439	427,439	427,439	427,439	427,439	1,798,890	1,798,890	427,439	1,798,890	1,798,890	427,439				
Mexico	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	3,092,199	1,798,890	1,798,890	3,092,199	1,798,890	1,798,890	3,092,199				
Puerto Rico	16,851	16,851	16,851	16,851	16,851	16,851	16,851	16,851	16,851	16,851	16,851	1,798,890	1,798,890	16,851	1,798,890	1,798,890	16,851				
Switzerland	429,779	429,779	429,779	429,779	429,779	429,779	429,779	429,779	429,779	429,779	429,779	1,798,890	1,798,890	429,779	1,798,890	1,798,890	429,779				
Australia	314,079	314,079	314,079	314,079	314,079	314,079	314,079	314,079	314,079	314,079	314,079	1,798,890	1,798,890	314,079	1,798,890	1,798,890	314,079				
Belgium	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932	3,932	1,798,890	1,798,890	3,932	1,798,890	1,798,890	3,932				
Hong Kong	23,437	23,437	23,437	23,437	23,437	23,437	23,437	23,437	23,437	23,437	23,437	1,798,890	1,798,890	23,437	1,798,890	1,798,890	23,437				
India	557,994	557,994	557,994	557,994	557,994	557,994	557,994	557,994	557,994	557,994	557,994	1,798,890	1,798,890	557,994	1,798,890	1,798,890	557,994				
Italy	20,185	20,185	20,185	20,185	20,185	20,185	20,185	20,185	20,185	20,185	20,185	1,798,890	1,798,890	20,185	1,798,890	1,798,890	20,185				
All other countries*	841,931	841,931	841,931	841,931	841,931	841,931	841,931	841,931	841,931	841,931	841,931	1,798,890	1,798,890	841,931	1,798,890	1,798,890	841,931				

\* These amounts may be underreported since only 88 returns reported an amount for "Estate outside the United States." An estate was required to report the amount only if allocated deductions for its worldwide estate to its U.S. estate. When the amount is not reported, the U.S. estate and worldwide estate would be equal.

\* Includes U.S. possessions, except Puerto Rico.

Section 15 Forms and Instructions

The forms and instructions shown in this section of this compendium relate to the studies discussed in Sections 2 through 14. In general, the forms and instructions applicable to the tax years covered in each section are presented here.

- Contents
- Form 706NA and Instructions (Revised November 1987)
  - United States Estate (and Generation-Skipping Transfer) Tax Return, Estate of Nonresident Not a Citizen of the United States, p. 433.
  - Form 940 and Instructions (1987)
  - Employer's Annual Federal Unemployment (FUTA) Tax Return, p. 435.
  - Form 1040 (1987)
  - U.S. Individual Income Tax Return, p. 437.
  - Form 1042S and Instructions (1987)
  - Foreign Person's U.S. Source Income Subject to Withholding, p. 438.
  - Form 1116 and Instructions (1987)
  - Computation of Foreign Tax Credit - Individual, Fiduciary, or Nonresident Alien Individual, p. 441.
  - Form 1118 and Instructions (Revised October 1985)
  - Computation of Foreign Tax Credit - Corporations, p. 444.
  - Schedule F, Form 1118 and Instructions (Revised February 1985)
  - Computation of Reduction of Oil and Gas Extraction Taxes, p. 449.
  - Form 1118 and Instructions (Revised February 1989)
  - Computation of Foreign Tax Credit - Corporations, p. 450.
  - Schedule J, Form 1118 and Instructions (February 1989)
  - Separate Limitation Loss Allocation and Other Adjustments Necessary to Determine Numerators of Limitation Fractions, Year-End Recharacterization Balances and Overall Foreign Loss Account Balances, p. 457.
  - Form 1120 and Instructions (1987)
  - U.S. Corporation Income Tax Return, p. 459.

- Form 1120F and Instructions (1987)
- U.S. Income Tax Return of a Foreign Corporation, p. 468.
- Form 1120-FSC and Instructions (1987)
- U.S. Income Tax Return of a Foreign Sales Corporation, p. 477.
- Form 1120-IC-DISC and Instructions (1987)
- Interest Charge Domestic International Sales Corporation Return, p. 486.
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- Form 3520 and Instructions (Revised May 1987)
- Creation of, or Transfers to, Certain Foreign Trusts, p. 499.
- Form 3520-A and Instructions (Revised May 1987)
- Annual Return of Foreign Trust With U.S. Beneficiaries, p. 501.
- Form 5471 and Instructions (Revised January 1986)
- Information Return With Respect to a Foreign Corporation, p. 502.
- Schedule M, Form

Schedule B, Form 5713 and Instructions (Revised January 1986) and Instructions Specifically Attributable Taxes and Income (Section 999(c)(2)), p. 518.

Schedule C, Form 5713 and Instructions (Revised January 1986) and Instructions Tax Effect of the International Boycott Provisions, p. 519.

Form 5735 and Instructions (Revised October 1986) Computation of Possessions Corporation Tax Credit Allowed Under Section 936, p. 520.

Schedule P, Form 5735 and Instructions (Revised October 1986) Allocation of Income and Expenses Under Section 936(h)(5), p. 521.

Form 8804 (September 1989) Annual Return for Partnership Withholding Tax (Section 1446), p. 522.

Form 8805 (September 1989) Foreign Partnership's Information Statement of Section 1446 Withholding Tax, p. 522.

Form 8813 (September 1989) Partnership Withholding Tax Payment (Section 1446), p. 523.

Instructions for Forms 8804, 8805, and 8813 (September 1989), p. 524.

Forms and Instructions

**Form 706NA United States Estate (and Generation-Skipping Transfer) Tax Return**  
 (Rev. 11/87) (OMB No. 1545-0031 Expires 06/30/90)

Department of the Treasury  
Internal Revenue Service

Attach supplemental documents and translations. Show amounts in United States dollars.

**PART 1.—Decedent, Executor, and Attorney**

1a Decedent's first name and middle initial  
 1b Decedent's last name  
 2 U.S. social security number (if any)

3 Place of death  
 4 Domicile at time of death  
 5 Citizenship (nationality)  
 6 Date of death

7a Date of birth  
 7b Place of birth  
 8 Business or occupation

9a Name of executor  
 9b Address  
 10a Name of attorney for estate  
 10b Address

11a Name of executor  
 11b Address  
 12a Name of attorney for estate  
 12b Address

**PART 2.—Tax Computation**

1	Taxable estate (from Schedule B, line 8)	1
2	Total taxable gifts of tangible or intangible property located in the U.S., transferred (directly or indirectly) by the decedent after December 31, 1976, and not included in the gross estate (see section 2511)	2
3	Total (add lines 1 and 2)	3
4	Tentative tax on the amount on line 3 (see instructions)	4
5	Tentative tax on the amount on line 2 (see instructions)	5
6	Gross estate tax (subtract line 5 from line 4)	6
7	Unified credit—enter lesser of line 6 amount or maximum allowed (see instructions)	7
8	Balance (subtract line 7 from line 6)	8
9	Credit for state death taxes (see instructions and attach credit evidence)	9
10	Balance (subtract line 9 from line 8)	10
11	Credit for Federal gift taxes (see sections 2102 and 2012 and attach computation)	11
12	Credit for tax on prior transfers (attach Schedule Q, Form 706)	12
13	Total (add lines 11 and 12)	13
14	Net estate tax (subtract line 13 from line 10)	14
15	Total generation-skipping transfer tax (attach Schedule R, Form 706)	15
16	Section 4981A increased estate tax (attach Schedule S (Form 706) (see instructions))	16
17	Total transfer taxes (Add lines 14, 15, and 16)	17
18	Earlier payments (see instructions and attach explanation)	18
19	U.S. Treasury bonds redeemed to pay estate tax	19
20	Total (add lines 18 and 19)	20
21	Balance due (subtract line 20 from line 17) (see instructions)	21

Under penalty of perjury, I declare that I have prepared this return, including any additional sheets attached, and to the best of my knowledge and belief, it is true, correct, and complete and that a complete, correct copy of all property and interest on the part of the decedent's gross estate, as defined by the United States.

(Signature of executor) (Date)

(Signature of preparer (other than executor)) (Address) (Date)

For Paperwork Reduction Act Notice, see the first page of the instructions. Form 706NA (Rev. 11/87)

**Form 706 (Rev. 11/87) Page 2**

**PART 3.—General Information**

Yes	No	Yes	No
<b>1</b> Did the decedent die testate?			
<b>2</b> Were letters testamentary or of administration granted for the estate? <i>If granted to persons other than those filing the return, include names and addresses on page 1.</i>			
<b>3</b> Did the decedent, at the time of death, own any: a Real property located in the U.S.? b U.S. corporate stock? c Debt obligations of (1) a U.S. person or (2) the U.S., a state or any political subdivision, or the District of Columbia? d Other property located in the U.S.?			
<b>4</b> Was the decedent engaged in business in the U.S. at date of death?			
<b>5</b> At date of death, did the decedent have access, personally or through an agent, to a safe deposit box located in the U.S.?			
<b>6</b> Had the decedent ever been a citizen of the United States? a If "Yes," did the decedent lose U.S. citizenship within 10 years of death?			
<b>7</b> Did the decedent make any transfer (of property that was located in the U.S. at either the time of the transfer or the time of death) described in sections 2035, 2036, 2037, or 2038 (see the instructions for Form 706 Schedule G)? <i>If "Yes," attach Schedule G, Form 706.</i>			
<b>8</b> At the date of death, had the decedent created any existing trusts that included property located in the U.S. either when the trust was created or when the decedent died? <i>If "Yes," attach Schedule G, Form 706.</i>			
<b>9</b> At the date of death, did the decedent: a Have a general power of appointment over any property located in the U.S.? b Or, at any time, exercise or release the power? <i>If "Yes," to either a or b, attach Schedule H, Form 706.</i>			
<b>10</b> a Have Federal gift tax returns ever been filed? b Periods covered: c Internal Revenue offices where filed.			
<b>11</b> Does the gross estate in the United States include any interests in property transferred to a "skip person" as defined in the instructions to Schedule R of Form 706? <i>If "Yes," attach Schedules R and/or R-1, Form 706.</i>			

**Schedule A Gross Estate in the United States (see Instructions)**

Do you elect to value the decedent's gross estate at a date or dates after the decedent's death (as authorized by section 2032)?  
 To make the election, you must check this box "Yes." If you check "Yes," complete columns (c), (d), and (e). If you check "No," complete column (e). You may leave columns (c) and (d) blank or you may use them to expand your column (e) description.

Item No.	Description of property and acquisition tax, including, if applicable, EGP number, if applicable	(c) Alternate valuation date	(d) Alternate value in U.S. dollars	(e) Value at date of death in U.S. dollars	
				Value	Date
1					

(If you need more space, attach additional sheets of same size.)

**Total**

**Schedule B Taxable Estate**  
 You must document lines 2 and 4 for the deduction on line 5 to be allowed.

1	Gross estate in the U.S. (Schedule A total)	1
2	Gross estate outside the U.S. (see instructions)	2
3	Entire gross estate wherever located (add amounts on lines 1 and 2)	3
4	Amount of funeral expenses, administration expenses, decedent's debts, mortgages and liens, and losses during administration (attach itemized schedule) (see instructions)	4
5	Deduction for expenses, claims, etc. (divide line 1 by line 3 and multiply the result by line 4) (see instructions)	5
6	Charitable deduction (attach Schedule O, Form 706) and marital deduction (attach Schedule M, Form 706, and computation)	6
7	Total deductions (add lines 5 and 6)	7
8	Taxable estate (subtract line 7 from line 3)	8

Instructions
Paperwork reduction Act Notice.—We ask for your cooperation to only file the Internal Revenue Service information that we need to process your return.

no execution or appointment, and acting in the U.S. even upon actual or constructive possession of any of the decedent's property...

time of death) would have been treated as if it were owned by the decedent at the time of his death...

Changes You Should Note

New General-Shipping Transfer Tax.—A new general shipping transfer tax (GSTT) is imposed on the estate of certain decedents who die after October 22, 1986...

Specific Instructions

Attachment.—The decedent died testate, attach a certified copy of the will to Form 706NA. For decedent who died intestate, attach a certified copy of the will to Form 706NA...

Form 706NA (Rev. 11-87)

Line 7—Enter the unified credit. The unified credit is allowed for the lesser of the line 6 amount or the maximum unified credit...

General Instructions

A. Purpose of Form.—Form 706NA is used to compute the estate tax liability for a decedent who died after October 22, 1986...

How to Complete Form 706NA

Part 1.—General Information. Question 6a.—If you answer "Yes," please attach a statement showing the citizenship of the decedent's parents...

Form 706NA (Rev. 11-87)

Line 8.—You may take a credit for the death tax on the estate of a decedent who died after 1980...

Part 2—General Information

Question 6a.—If you answer "Yes," please attach a statement showing the citizenship of the decedent's parents...

Part 3—General Information

Question 6a.—If you answer "Yes," please attach a statement showing the citizenship of the decedent's parents...

Form 706NA (Rev. 11-87)

Line 9.—You may deduct the following items which were incurred on or after the date of the decedent's death...

Part 4—Computation of Taxable Wages and Credit Reduction

1. Total payments (including normal payments) during the calendar year for services of employees...

Part 5—Computation of Tentative Credit

1. State (name and number). 2. State (name and number). 3. State (name and number).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

Part 1—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Part 2—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

Part 3—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Part 4—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

Part 5—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Part 6—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

Part 7—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Part 8—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

Part 9—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Part 10—Tax Due or Refund

1. Enter amount from line 1 of Form 940. 2. Total FUTA tax (add lines 1 and 2).

Form 940 (1987)

Employer's Annual Federal Unemployment (FUTA) Tax Return. Paperwork Reduction Act Notice.—We ask for your cooperation to only file the information that we need to process your return.

FORMS AND INSTRUCTIONS

(Instructions continue on page 4)

**940** Department of the Treasury Internal Revenue Service  
**Employer's Annual Federal Unemployment (FUTA) Tax Return**  
 For Paperwork Reduction Act Notice, see page 2.  
 OMB No. 1545-0028  
**1987**

**EMPLOYER'S COPY**

Employer identification number \_\_\_\_\_

**Part I—Computation of Taxable Wages and Credit Reduction (To be completed by all taxpayers)**

1 Total payments (including exempt payments) during the calendar year for services of employees \_\_\_\_\_

2 Exempt payments (explain each exemption shown, attaching additional sheets if necessary) \_\_\_\_\_

3 Payments for services of more than \$7,000. Enter only the excess over the first \$7,000 paid to individual employees not including exempt amounts shown on line 2. Do not use the state wage limitation \_\_\_\_\_

4 Total exempt payments (add lines 2 and 3) \_\_\_\_\_

5 Total taxable wages (subtract line 4 from line 1) (If any part is exempt from state contributions, see instructions.) \_\_\_\_\_

6 Additional tax resulting from credit reduction for unpaid advances to the state listed below (by two letter Postal Service abbreviation). Enter the wages included on line 5 above for that state and multiply by the rate shown. (See instructions.)  
 Enter the credit reduction amount here and on Part III line 2, or Part III line 4, PA \_\_\_\_\_

**Part II—Tax Due or Refund (Complete if you checked the "Yes" boxes in both questions A and B and did not check the box in C, above.)**

1 FUTA tax. Multiply the wages in Part I, line 5, by .038 and enter here \_\_\_\_\_

2 Enter amount from Part I, line 6 \_\_\_\_\_

3 Total FUTA tax (add lines 1 and 2) \_\_\_\_\_

4 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records) \_\_\_\_\_

5 Balance due (subtract line 4 from line 3). This should be \$100 or less. Pay to IRS \_\_\_\_\_

6 Overpayment (subtract line 3 from line 4). Check if it is to be:  refunded  returned \_\_\_\_\_

**Part III—Tax Due or Refund (Complete if you checked the "No" box in either question A or B or you checked the box in C, above. Also complete Part V.)**

1 Gross FUTA tax. Multiply the wages in Part I, line 5, by .062 \_\_\_\_\_

2 Maximum credit. Multiply the wages in Part I, line 5, by .034 \_\_\_\_\_

3 Enter the smaller of the amount on line 1, or line 2, or Part III, line 2 \_\_\_\_\_

4 Enter amount from Part I, line 6 \_\_\_\_\_

5 Credits allowable (subtract line 4 from line 3) (If zero or less, enter 0) \_\_\_\_\_

6 Total FUTA tax (subtract line 5 from line 1) \_\_\_\_\_

7 Minus: Total FUTA tax deposited for the year, including any overpayment applied from a prior year (from your records) \_\_\_\_\_

8 Balance due (subtract line 7 from line 6). This should be \$100 or less. Pay to IRS \_\_\_\_\_

9 Overpayment (subtract line 6 from line 7). Check if it is to be:  refunded  returned \_\_\_\_\_

**Part IV—Record of Quarterly Federal Tax Liability for Unemployment Tax (Do not include state liability).**

Quarter	First	Second	Third	Fourth	Total for Year
Liability for quarter					
Amount of overpayment (check if it is to be refunded or returned) and that no part of any payment made to a state unemployment fund resulted in a credit toward the payments to employees					

Signature: \_\_\_\_\_ Title (Owner, etc.): \_\_\_\_\_ Date: \_\_\_\_\_

Note: You must keep this copy and a copy of each related schedule or statement for 4 years after the date the tax is due or paid, whichever is later. These copies must be available for inspection by the IRS. See Circular E and Publication 539, Employment Taxes, for more information. Household employers should see Publication 503.

**Form 940 (1987)** Page 4  
**Part V—Computation of Tentative Credit** (Complete if you checked the "No" box in either question A or B or you checked the box in C, above. See instructions.)

State	State unemployment tax rate (col. 3 of 5)	Contributions payable by employer (col. 4 of 5)	Contributions payable by employee (col. 5 of 5)	Contributions actually paid to state (col. 6 of 5)
1	2	3	4	5
6	7	8	9	10

10 Totals \_\_\_\_\_

11 Total tentative credit (add line 10, columns 8 and 9—see instructions for limitations) \_\_\_\_\_

**Part I—Computation of Taxable Wages and Credit Reduction**  
 Line 1—Total payments. Enter the total payments you made to employees during the calendar year, even if they are not taxable (include salaries, wages, commissions, fees, bonuses, vacation allowances, amounts paid to temporary or part-time employees, and the value of goods, lodging, food, clothing, and noncash fringe benefits). Also include the amount of tips reported to you in writing by your employees. Enter the amount before any deductions. How the payments are made is not important in determining if they are wages. Thus, you may pay wages for prework or as a percentage of profits, and you may pay wages hourly, daily, weekly, monthly, or yearly. You may pay wages in cash or some other way, such as goods, lodging, food, or clothing. For items other than cash, use the fair market value at the time of payment.  
 Line 2—Exempt payments.—"Wages" and "employment" as defined for FUTA purposes do not include every payment and every third of service not included from employment are not subject to tax. You may deduct these payments from total payments only if you establish them on line 2.  
 Enter such items as the following:  
 (1) Agricultural labor, if you don't meet either of the tests in Agricultural Employees on page 2.  
 (2) Benefit payments for sickness or injury under a worker's compensation law.  
 (3) Household service if you do not pay cash wages of \$1,000 or more in any calendar quarter in 1986 and 1987.  
 (4) Certain family employment.  
 (5) Certain fishing activities.  
 (6) Noncash payments for the services of household services in a private home that are included on line 1. Only cash wages to these workers are taxable.  
 (7) Value of certain meals and lodging.  
 (8) Any other exempt service or pay.  
 For more information, see Circular E.  
 Line 3—Enter the total amounts of more than \$7,000 you paid each employee during the year. If you have 10 employees to whom you paid \$8,000 during the year, \$80,000 on line 1 and \$100,000 on line 3. The \$7,000 wage limitation for FUTA purposes only. Do not use the state wage limitation for this entry.  
 Line 4—Total taxable wages.—If any part of these wages is exempt from employment taxes, you must list on Part III and V, for example, if you pay wages to corporate officers in a state that exempts them from employment taxes (these wages are taxable for FUTA tax, but you would check the "No" box on 1 and complete Part III and V).  
 Line 5—Enter any wages included on line 4 that are not subject to FUTA tax. Multiply the wages by the rate shown. This adjustment increases the FUTA tax by the amount shown on

**Part II—Tax Due or Refund**  
 Use this part only if you checked "Yes" for both questions A and B on page 1, and did not check the box in C. The tax rate of .038 gives you credit for your payments to your state's unemployment fund.  
**Part III—Tax Due or Refund**  
 Use this part if you do not qualify for Part II, line 3. Enter the smaller of Part V, line 11, or Part III, line 2. This is the maximum credit allowable for your payments to state unemployment fund.  
 Line 4 and 5—Enter the amount from Part I, line 5 on line 4. Subtract this amount from Part III, line 3. The result on line 5 is your allowable credit for payments to the state.  
**Part IV—Record of Federal Tax Liability**  
 Complete this part if your total tax (Part I, line 3 or Part III, line 6) is over \$100. To figure your FUTA liability for each of the first 3 quarters of 1987, multiply by .038 that part of the total tax paid during the quarter. Enter this amount under that quarter.  
 Your liability for the 4th quarter is the total tax (Part II, line 3 or Part III, line 6) minus your liability for the first 3 quarters of the year. The total liability must equal your total tax. Otherwise, you may be charged a failure to deposit penalty against your average liability.  
 Depositing FUTA Tax.—If your liability for any unreported amount of \$100 or less from an earlier quarter is over \$100, deposit it by the last day of the first month following the close of the quarter. If it is \$100 or less, carry it to the next quarter. If your liability for any unreported amount from any earlier quarter is over \$100, deposit the entire amount by February 1, 1988. If it is \$100 or less, you can either make a deposit or pay it with your Form 940 for this entry.  
 Note: The total amount of all deposits or payments shown in Part IV, line 4, or Part III, line 2, following these rules, the balance due with Form 940 will be zero.  
 Deposit FUTA tax in an authorized financial institution or the Federal Reserve Bank for your state. To avoid a possible penalty, do not mail deposits directly to IRS. Records of your deposits (column 6) increase your state experience rate. Note: If you are receiving additional credit (column 6) increase your state experience rate. Note: If you are receiving additional credit (column 6) increase your state experience rate. Note: If you are receiving additional credit (column 6) increase your state experience rate. Note: If you are receiving additional credit (column 6) increase your state experience rate.

498 Forms and Instructions

**1040** Department of the Treasury Internal Revenue Service  
**U.S. Individual Income Tax Return 1987**  
 For the year Jan.-Dec. 31, 1987, or other tax year beginning \_\_\_\_\_, 1987 ending \_\_\_\_\_  
 OMB No. 1545-0028

Label \_\_\_\_\_  
 Use IRS label. Otherwise, please print or type \_\_\_\_\_

Presidential Election Campaign: Do you want \$1 to go to this fund?  Yes  No

Filing Status:  Single  Married filing joint return (even if only one had income)  Married filing separate return  Head of household (with qualifying person)  Your dependent, enter child's name here

Exemptions: (See instructions on page 7.)  
 a Yourself \_\_\_\_\_  
 b Spouse \_\_\_\_\_  
 c Dependents (1) Non-exempt (2) Exempt \_\_\_\_\_

Income: (See instructions on page 7.)  
 7 Wages, salaries, tips, etc. (attach Form(s) W-2) \_\_\_\_\_  
 8 Taxable interest income (also attach Schedule B if over \$400) \_\_\_\_\_  
 9 Tax-exempt interest income (see page 10). DON'T include on line 8 \_\_\_\_\_  
 10 Dividend income (also attach Schedule B if over \$400) \_\_\_\_\_  
 11 Taxable amount of state and local income taxes, if any, from worksheet on page 11 of instructions \_\_\_\_\_  
 12 Alimony received \_\_\_\_\_  
 13 Business income or (loss) (attach Schedule C) \_\_\_\_\_  
 14 Capital gain or (loss) (attach Schedule D) \_\_\_\_\_  
 15 Other gains or (losses) (attach Form 4797) \_\_\_\_\_  
 16 Pensions, IRA distributions, annuities, and rollovers. Total received \_\_\_\_\_  
 17 Taxable amount (see page 13) \_\_\_\_\_  
 18 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) \_\_\_\_\_  
 19 Farm income or (loss) (attach Schedule F) \_\_\_\_\_  
 20 Unemployment compensation (insurance) (see page 11) \_\_\_\_\_  
 21 Social security benefits (see page 12) \_\_\_\_\_  
 22 Taxable amount (see page 12) \_\_\_\_\_  
 23 Other income (list type and amount—see page 12) \_\_\_\_\_  
 24 Add the amounts shown in the far right column for lines 7, 8, and 10-21. This is your total income \_\_\_\_\_

Adjustments to Income: (See instructions on page 12.)  
 23 Reimbursed employee business expenses from Form 2106 \_\_\_\_\_  
 24a Your IRA deduction, from applicable worksheet on page 13 or 14 \_\_\_\_\_  
 24b Spouse's IRA deduction, from applicable worksheet on page 13 or 14 \_\_\_\_\_  
 25 Self-employed health insurance deduction, from worksheet on page 14 \_\_\_\_\_  
 26 Keogh retirement plan and self-employed SEP deduction \_\_\_\_\_  
 27 Penalty on early withdrawal of savings \_\_\_\_\_  
 28 Alimony paid (recipient's last name and social security no.) \_\_\_\_\_  
 29 Add lines 23 through 28. These are your total adjustments \_\_\_\_\_  
 30 Subtract line 29 from line 22. This is your adjusted gross income. If this line is less than \$15,432 and a child lived with you, see "Earned Income Credit" (line 56) on page 18 of the instructions. If you want IRS to figure your tax, see page 12 of the instructions.

**Form 1040 (1987)** Page 2  
**Tax Computation**

31 Amount from line 30 (adjusted gross income) \_\_\_\_\_

32a Check  if  Blind  Spouse was 65 or over  Blind  LIRA \_\_\_\_\_

32b Add the number of boxes checked and enter the total here \_\_\_\_\_

33 If you can be claimed as a dependent on another person's return, check here  33a  33b

34 If you are married filing a separate return and your spouse itemizes deductions, or you are a dual status alien, see page 25 and check here  34a  34b

35 Itemized deductions. See page 15 to see if you should itemize. If you don't itemize, enter as 0. If you do itemize, attach Schedule A, enter the amount from Schedule A, line 25, AND show 33b. Caution: If you checked any of the following, see page 16 for the amount to enter:  
 a Standard deduction. Married filing jointly, enter \$2,540.  
 b Married filing separately, enter \$1,880.  
 c Single head of household, enter \$2,540.  
 d Married filing jointly or head of household, enter \$2,540.  
 36 Subtract line 32a or 33b, whichever applies, from line 31. Enter the result here \_\_\_\_\_

37 Taxable income. Subtract line 35 from line 34. Enter the result (but not less than zero) \_\_\_\_\_

38 Caution: If under age 14 and you have more than \$1,000 of investment income, check here  and see page 16 to see if you have to use Form 9815 to figure your tax.

39 Enter tax. Check if from  Tax Table  Tax Rate Schedules  Schedule D  Form 9815 \_\_\_\_\_

40 Additional taxes (see page 16). Check if from  Form 4970 or  Form 4972 \_\_\_\_\_

41 Credit for child and dependent care expenses (attach Form 2441) \_\_\_\_\_

42 Credit for the elderly or for the permanently and totally disabled (attach Schedule R) \_\_\_\_\_

43 Add lines 40 and 41. Enter the total \_\_\_\_\_

44 Subtract line 42 from line 39. Enter the result (but not less than zero) \_\_\_\_\_

45 Foreign tax credit (attach Form 1116) \_\_\_\_\_

46 General business credit. Check if from  Form 3800  Form 3468  Form 5884  Form 6418  Form 6765, or  Form 6758 \_\_\_\_\_

47 Add lines 44 and 45. Enter the total \_\_\_\_\_

48 Subtract line 46 from line 43. Enter the result (but not less than zero) \_\_\_\_\_

49 Self-employment tax (attach Schedule SE) \_\_\_\_\_

50 Tax on retirement of investment credit (attach Form 4255) \_\_\_\_\_

51 Social security tax on tip income not reported to employer (attach Form 4137) \_\_\_\_\_

52 Tax on an IRA or a qualified retirement plan (attach Form 5329) \_\_\_\_\_

53 Add lines 47 through 52. This is your total tax \_\_\_\_\_

54 Federal income tax withheld (including tax shown on Form(s) 1099) \_\_\_\_\_

55 1987 estimated tax payments and amount applied from 1986 return \_\_\_\_\_

56 Earned income credit (see page 18) \_\_\_\_\_

57 Amount paid with Form 4868 (extension request) \_\_\_\_\_

58 Excess social security tax and RRTA tax withheld (see page 19) \_\_\_\_\_

59 Credit for federal tax on gasoline and special fuels (attach Form #18) \_\_\_\_\_

60 Registered investment company credits (attach Form 2439) \_\_\_\_\_

61 Add lines 54 through 60. These are your total payments \_\_\_\_\_

62 If line 61 is larger than line 53, enter amount OVERPAID \_\_\_\_\_

63 Amount of line 62 to be REFUNDED TO YOU \_\_\_\_\_

64 Amount of line 62 to be applied to your 1988 estimated tax \_\_\_\_\_

65 If line 63 is larger than line 61, AMOUNT YOU OWE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number, daytime phone number, and 1987 Form 1040 on the check. (Form 2210 (1987) is attached. See page 27.) Penalty: \$ \_\_\_\_\_

Please Sign Here: Taxpayer's signature \_\_\_\_\_ Date \_\_\_\_\_  
 Preparer's signature \_\_\_\_\_ Date \_\_\_\_\_  
 Preparer's name (if not self-employed) and address \_\_\_\_\_

Under penalties of perjury, I declare that I have examined the return and accompanying schedules and statements, and to the best of my knowledge and belief they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on information furnished by taxpayer. Taxpayer's occupation \_\_\_\_\_

497 Forms and Instructions



• If at the end of any month the total amount of unpaid taxes for the year is \$200 or more but less than \$2,000, you must deposit the tax by the 15th day of the following month. (This does not apply if you made a deposit for a quarter-month period during the month under the \$2,000 rule explained above.)

• If at the end of the year the total amount of unpaid taxes is less than \$200, you may either pay the taxes directly to IRS along with your Form 1042 or deposit them by March 15.

**Penalty for Overstated Tax Deposits.**—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

**Canadian Withholding Agents.** If you are a nominee, representative, fiduciary, or partnership in Canada and you receive dividends from sources in the United States for the account of any person who is not entitled to the reduced rate granted under the tax treaty between the United States and Canada, you are a withholding agent and you must withhold the additional tax due on such income. Send the additional U.S. tax withheld, in U.S. currency, with Form 1042 to the Internal Revenue Service Center, Philadelphia, PA 19255, by March 15, 1988.

**Specific Instructions for Form 1042**

**Note:** If you are a withholding agent for numerous clients, you must make required Federal Tax Deposits (FTDs) and file only one Form 1042 (combining all Forms 1042S recipient information), using your name, address, and employer identification number (EIN), regardless of the number of different clients, branches, divisions or types of income for which you are the withholding agent.

Line 63.—The amount on line 63a should equal the sum of all Forms 1042S, line 3, column (b), plus the amount shown on Form 1000 II during 1987 you withheld more tax than required; you may release it to the recipient any time before you file Form 1042 for the year. In this case, enter in column (e) of Form 1042S the tax withheld less any tax released. The amount on line 63b should equal the sum of all Forms 1042S, line 3, column (b) plus the tax assumed from Forms 1000 II if it does not, attach a statement explaining the difference.

In determining tax withheld on remuneration for labor or personal services that a nonresident alien performs in the United States, a deduction for personal exemptions to the extent allowed by section 873(d)(3) is allowed prorated on the basis of \$5.21 (\$5.33 for 1988) a day for each exemption for the period during which the alien performs the services in the United States. Attach a statement to Form 1042 explaining the amount of compensation for labor or personal services in the United States and the amount of exemptions prorated. For more information, see Publication 515.

Lines 68 and 69.—You may claim an overpayment shown on line 68 as a refund or a credit. Check either box on line 69 to show which you are claiming. If you claim a credit, it can reduce your required deposits of withheld tax for 1988.

**1116** **Computation of Foreign Tax Credit**  
Individual, Fiduciary, or Nonresident Alien Individual  
OMB No. 1545-0021  
1987  
Attach to Form 1040, 1040NR, 1041, or 990-T.  
See separate instructions.

Name: \_\_\_\_\_ Identifying number as shown on page 1 of your tax return: \_\_\_\_\_

Use a separate Form 1116 for each type of income. Check only one box. This form is being completed for credit for taxes on:

Passive income  Shipping income  Dividends from each noncontrolled section 902 corporation  General limitation income—all other income from sources outside the United States (including income from sources within U.S. possessions)

High withholding tax interest  Dividends from an IC-DISC or former DISC  Distributions from a foreign sales corporation (FSC) or former FSC

Resident of (name of country): \_\_\_\_\_

**Part I Taxable Income From Sources Outside the United States**

Foreign Country or U.S. Possession	Foreign Country or U.S. Possession			Total (Add Col. A, B, and C)
	A	B	C	
1. Gross income from sources within country shown above and of the type checked above (see instructions)				
2. Applicable deductions and losses (see instructions)				
a. Expenses directly allocable to the income on line 1 (attach schedule)				
b. Pro-rata share of all other deductions not directly allocable:				
(i) Itemized deductions (attach schedule)				
(ii) Other deductions (attach schedule)				
(iii) Add lines 2(b)(i) and 2(b)(ii)				
(iv) Foreign source income (see instructions)				
(v) Gross income from all sources (see instructions)				
(vi) Divide line 2(b)(v) by line 2(b)(iv)				
(vii) Multiply line 2(b)(vi) by line 2(b)(v)				
c. Losses from foreign sources				
d. Add lines 2a, 2b(vii), and 2c				2d
3. Subtract line 2d from line 1. Enter the result here and in Part III, line 6a				3

**Part III Foreign Taxes Paid or Accrued (Attach receipt or copy of return.)**

Country (You must check one)	In Foreign Currency				In U.S. Dollars			
	(1) Paid or Accrued	(2) Dividends	(3) Interest	(4) Other Foreign Taxes Paid or Accrued	(5) Dividends	(6) Interest	(7) Other Foreign Taxes Paid or Accrued	(8) Total Foreign Taxes Paid or Accrued (1), (5), (6), and (7)
A								
B								
C								

3. Add lines A through C, column (8). Enter the total here and on Part III, line 1.  
For Passwork Reduction Act Notice, see page 1 of separate instructions.

Form 1116 (1987) **1116** **Computation of Foreign Tax Credit**  
OMB No. 1545-0021  
1987  
Attach to Form 1040, 1040NR, 1041, or 990-T.  
See separate instructions.

Check if you are claiming a credit for taxes paid to the Virgin Islands under section 932(b)

1. Enter amount from Part II, line 3 (This is the total foreign taxes paid or accrued)	1	
2. Carryback or carryover (attach detailed computation)	2	
3. Add lines 1 and 2	3	
4. Reduction in foreign taxes (see instructions)	4	
5. Subtract line 4 from line 3 (This is the total amount of foreign taxes available for credit)	5a	
6a. Enter amount from Part I, line 3 (see instructions)	6a	
b. Enter pro-rata share of allocated foreign losses (see instructions)	6b	
c. Reduce the amount on line 6a by the loss on line 6b. (This is your taxable income (or loss) from sources outside the United States.) If this is a loss, you have no foreign tax credit for the type of income you checked on page 1. Skip lines 7 through 13.	6c	
7. Recapture of prior year overall foreign losses (attach computation)	7	
8. Subtract line 7 from line 6c. This is your net foreign source taxable income	8	
9. Individuals: Enter amount from Form 1040, line 34, or from Form 1040NR, line 33. Estates and trusts: Enter on this line your taxable income without the deduction for your exemption	9	
10. Divide line 8 by line 9 (If line 8 is more than line 9, enter the figure "1.")	10	
11. Individuals: Enter amount from Form 1040, line 43, or Form 1040NR, line 40. Estates and trusts: Enter amount from Form 1041, line 22c, or Form 990-T, line B.	11	
12. Multiply line 11 by line 10 (Maximum amount of credit)	12	
13. Enter the amount from line 5 or line 12, whichever is smaller. (If this is the only Form 1116 you are completing, skip lines 1 through 8 in Part IV and enter this amount on line 9, Part IV. Otherwise, complete the appropriate lines in Part IV.)	13	

**Part IV Summary of Credits From Separate Parts III (See Instructions.)**

1. Credit for taxes on passive income	1	
2. Credit for taxes on high withholding tax interest	2	
3. Credit for taxes on financial services income	3	
4. Credit for taxes on shipping income	4	
5. Credit for taxes on dividends from an IC-DISC or former DISC	5	
6. Credit for taxes on distributions from a FSC or former FSC	6	
7. Credit for taxes on dividends from each noncontrolled section 902 corporation	7	
8. Credit for taxes on general limitation income (all other income from sources outside the U.S.)	8	
9. Add lines 1 through 8	9	
10. Reduction of credit for international boycott operations (see "Reduction of Credit for International Boycott Operations" in instructions for Part III)	10	
11. Subtract line 10 from line 9. This is your foreign tax credit. Enter here and on Form 1040, line 44; Form 1040NR, line 41; Form 1041, line 23a; or Form 990-T, line 9a	11	

U.S. GPO: 1987 O-183-184

Instructions for Form 1116

Computation of Foreign Tax Credit Individual, Fiduciary, or Nonresident Alien Individual

(Section references are to the Internal Revenue Code)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need to ensure that taxpayers are complying with these laws and to show us the figure and collect the right amount of tax. You are required to give us this information.

1987 Tax Law Changes

There are several changes to the computation of foreign tax credit for tax years beginning in 1987. These changes include modifications to the separate limitation categories, transition rules for the carryback and carryover of credits for income in these categories, denial of the credit for taxes paid or accrued in certain countries, and new rules for the sourcing of gains on the sale of property.

carriers are discussed in the line by line instructions for Part III, Computation of Foreign Tax Credit.

Who Should Use This Form Use Form 1116 to figure the amount of your foreign tax credit if you are an individual, estate, or trust.

To take this credit, complete Form 1116 and figure the amount of your foreign tax credit. Use a separate Form 1116 (Parts I, II, and III) to figure the credit for foreign taxes paid or accrued for each type of income specified above Part I of the form. If for the box you check, you have income from or have paid taxes more than one foreign country or U.S. possession, use a separate column in Part I and a separate line in Part II for each country. If you paid taxes for more than three countries, attach additional sheets following the format of Parts I and II.

Additional Information.—Publication 514, Foreign Tax Credit for U.S. Citizens and Resident Aliens, contains a detailed explanation of how to figure the foreign tax credit. You can get it from an IRS Forms Office.

Note: U.S. citizens who live in certain countries may be able to take a foreign tax credit against their U.S. tax liability for the foreign tax imposed on certain items of income earned from activities conducted after 1985 in certain foreign countries.

Who May Not Take the Credit A U.S. citizen who is exempt from U.S. tax on income from certain U.S. possessions.

(1) You are a resident of Puerto Rico during the tax year or (2) You are a nonresident alien who pays or accrues tax to a foreign country or U.S. possession on income from a source that is effectively connected with a trade or business in the United States. However, if you have a bona fide residence in the Virgin Islands, U.S. possession on income from U.S. sources only because you are a citizen or resident of that country, the credit for that tax may be used in figuring the separate source income. See Proposed Regulations section 1.861-8(c)(2)(v) and (v) for more information.

Foreign Taxes For Which You May Take a Credit

You may take a credit for income tax, war profits, and excess profits taxes accrued during the tax year to any foreign country or U.S. possession on any political subdivision, agency, or instrument of the country of possession. (Examples of political subdivisions are a city, state, or province.) For purposes of this credit, U.S. possessions include Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, Samoa, and the Virgin Islands.

These taxes include taxes that are paid or accrued in lieu of an income, war profits, or excess profits tax that is otherwise generally imposed.

Note: New rules apply to taxpayers claiming a credit for taxes paid to the Virgin Islands. If you are claiming a credit for taxes paid to the Virgin Islands, use a separate Form 1116 to figure the amount of your foreign tax credit. Do not check the "type of income" boxes above line 1 of Part III of the form. Do not complete Parts I and II of Form 1116. Instead, complete Form 8689 to figure the amount of your foreign tax credit for taxes paid to the Virgin Islands. Enter the tax allowable to the Virgin Islands from Form 8689 on line 13 of Part III, Form 1116. If you are claiming a credit for foreign taxes paid to other foreign countries in addition to your Virgin Islands credit, include the Virgin Islands credit in the total on line 13 of Part III of the form. Write "V.I. tax" and the amount to the left of the entry space for line 13 of Part III of Form 1116.

Foreign Taxes For Which You May Not Take a Credit

A foreign tax credit may not be claimed for taxes imposed and paid on income earned from activities conducted after 1985 in certain foreign countries. These countries include the designated territories of the Secretary of State as countries that repeatedly provide support for acts of international terrorism. The United States and countries whose governments are not recognized by the United States. Publication 514 contains a list of these countries. Also see section 901(b)(1) for more information.

on other kinds of income. However, the amount of tax is not allowed as a credit under this rule if allowed as a business expense deduction.

• Payments of foreign tax which are returned to you on the form of a subsidy (such as a refund or credit).

Method of Reporting Report all amounts on the form in U.S. dollars except where specified otherwise in Part I of the form. If you have to convert from foreign currency, attach a detailed explanation of how you determined the conversion rate.

If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes. If you choose to take the credit for accrued taxes, the conversion rate is the rate of exchange in effect on the last day of your tax year. However, if a different rate of exchange is used for the tax year, you actually paid, use the rate in effect on the day you pay the tax.

Note: If you do not notify the IRS of a foreign tax credit for more than one year, you may lose the credit for that year.

Line-By-Line Instructions Part I.—Taxable Income From Sources Outside the United States

Source of Income.—Source rules are discussed in detail in Regs. 1.861-1 through 865. Some general rules are: • The source of compensation is generally where the services are performed.

There are new source rules for sales of property in tax years beginning after 1986. Income from the sale of nondepreciable personal property is sourced in the country of the seller's residence.

Method of Reporting Report all amounts on the form in U.S. dollars except where specified otherwise in Part I of the form.

If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes. If you choose to take the credit for accrued taxes, the conversion rate is the rate of exchange in effect on the last day of your tax year.

Note: If you do not notify the IRS of a foreign tax credit for more than one year, you may lose the credit for that year.

Line-By-Line Instructions Part I.—Taxable Income From Sources Outside the United States

more information on the exclusion of income earned abroad, see Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad. Example: If you received dividend passive income from a foreign source, you must complete two Forms 1116.

There are new source rules for sales of property in tax years beginning after 1986. Income from the sale of nondepreciable personal property is sourced in the country of the seller's residence.

Method of Reporting Report all amounts on the form in U.S. dollars except where specified otherwise in Part I of the form.

If you take a credit for taxes paid, the conversion rate is the rate of exchange in effect on the day you paid the foreign taxes. If you choose to take the credit for accrued taxes, the conversion rate is the rate of exchange in effect on the last day of your tax year.

Note: If you do not notify the IRS of a foreign tax credit for more than one year, you may lose the credit for that year.

Line-By-Line Instructions Part I.—Taxable Income From Sources Outside the United States

Foreign earned income excluded on Form 2555. The deduction for personal exemptions is not allowed in figuring taxable income for this purpose.

If you have interest expense incurred to trade or invest in securities, or interest expense incurred on a passive activity, see Regs. 1.163(h)(2)(A), 1.163(h)(2)(B), or 1.163(h)(2)(C).

High-Taxed Income.—Passive income, in some cases, may be placed in the general limitation category. Passive income may qualify as general limitation income if the foreign taxes paid, or deemed paid, on the income (after allocation of expenses) exceed the highest U.S. tax which can be imposed on the income.

Line 2.—Do not exclude deductions and losses related to exempt or excluded income such as foreign earned income excluded on Form 2555.

Figure on line 2b the pro rata share of all other deductions (such as itemized deductions, or the standard deduction) you are an individual and do not itemize that you cannot allocate to specific items of income. You can figure this amount by following steps 2(b) through 2(b)(v) for this computation.

Figure on line 2b the pro rata share of all other deductions (such as itemized deductions, or the standard deduction) you are an individual and do not itemize that you cannot allocate to specific items of income. You can figure this amount by following steps 2(b) through 2(b)(v) for this computation.

If you take a credit for tax accrued but not paid, IRS may require you send a bond for the amount of the tax accrued but not paid, before the credit is allowed.

Part III.—Computation of Foreign Tax Credit Line 2.—You may carry back 2 years and carry forward 5 years the taxes you paid or accrued to any foreign country or U.S. possession (reduced as described below) that are more than the limitation.

Carryovers of taxes.—Carryovers of taxes paid or accrued in a foreign country or U.S. possession (reduced as described below) that are more than the limitation.

Line 4.—You may have to reduce the foreign tax credit by the amount of the credit that you are carrying back or forward.

Line 5.—You may have to reduce the foreign tax credit by the amount of the credit that you are carrying back or forward.

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less otherwise deductible expenses allocable to that income. The denominator is foreign earned income received or accrued during the tax year less deductible expenses allocable to that income.

Line 5.—You may have to reduce the foreign tax credit by the amount of the credit that you are carrying back or forward.

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Instructions

(Section reference is to the Internal Revenue Code unless otherwise noted)

Purpose of Schedule

Part I is used to show adjustments to separate limitation income or (losses) in determining the numerator of the limitation fraction for each separate limitation. Part II is used to show the year-end balances of separate limitation losses that were allocated among other separate limitations in the current year or in prior years that have yet to be recharacterized. Part III is used to show the balances in your overall foreign loss accounts at the beginning of the tax year, any adjustments, and the balances in your overall foreign loss accounts at the end of the tax year. Note: Schedule J (see Schedules C and H) is completed only once (unless all other Form 1118 Schedules which are completed for each applicable separate limitation).

Part I

The following instructions reflect the official position of the IRS (as set forth in Notice 89-1, 1989-1 IRB 13) regarding the ordering of adjustments to each separate limitation income or (loss) in arriving at the numerator of the limitation fraction for each separate limitation. (See also Temporary Regulations section 1.904(f)-1(f).)

Line 1.—Enter under each of the applicable amounts listed across the top of the schedule the separate limitation income or (loss) from column 12 of the corresponding Schedule A you completed for that separate limitation. (Be sure to consider on this line the possible interplay between the separate limitation losses and any net operating losses or net capital losses they may be a part of.)

Line 2.—This allocation grid must be completed to show the "pro rata share" of each separate limitation loss to be allocated among other applicable separate limitations. To enter each "pro rata share" you must:

- (a) Combine all the separate limitation loss amounts you entered across line 1 and combine all of the separate limitation income amounts you entered across line 1.
(b) If your combined separate limitation losses for the tax year do not exceed your combined separate limitation income for the tax year, your pro rata share of each separate limitation loss to be allocated to each category with positive taxable income is as follows:
Separate limitation loss amount x Separate limitation combined separate limitation income from all categories with positive taxable income.
(c) If your combined separate limitation losses for the tax year exceed your combined separate limitation income for the tax year, the pro rata share of each separate limitation loss to be allocated to each category with positive taxable income is as follows:

Separate limitation loss being allocated x Separate limitation income in a given category / Combined separate limitation losses from all categories with taxable losses.
To the extent separate limitation losses are able to be allocated, the total amounts allocated should be entered in the bold-outlined boxes as positive numbers. Each separate amount allocated to a given separate limitation should be entered across the same line under the appropriate column heading to which it was allocated. Note: The numbers entered across any given line should "zero out".

Your combined separate limitation losses for the tax year in excess of your combined separate limitation income for the tax year reduces your U.S. source income (if any) for the tax year. If you have no U.S. source income for the tax year, or if the excess of your combined separate limitation losses for the tax year over your combined separate limitation income for the tax year exceeds your U.S. source income for the tax year, the excess is treated as a net operating loss which can be carried over or back to other tax years in accordance with the rules under section 172.

Example 1.—Corporation X has separate limitation income of \$4,000 in its "general limitation income" separate limitation (line 1, column (i)) and separate limitation income of \$1,000 in its "financial services income" separate limitation (line 1, column (ii)). In addition, the corporation has a separate limitation loss of \$2,000 in its "shipping income" separate limitation (line 1, column (v)). Corporation X completes line 2, Part I, Schedule J, as follows:

Since the corporation's combined separate limitation losses for the tax year (\$2,000) do not exceed its combined separate limitation income for the tax year (\$5,000), the entire \$2,000 must be allocated to other separate limitations. Therefore, Corporation X enters a positive \$2,000 in the bold outlined box on line 2e, column (v).

To compute the portion of the \$2,000 separate limitation loss that is allocable to the "general limitation income" separate limitation, Corporation X divides the \$4,000 of separate limitation income by \$5,000 (the combined separate limitation income from all categories with positive taxable income). The result is 80%, which is multiplied by the separate limitation loss of \$2,000. Corporation X enters the product of \$1,600 on line 2e, column (i).

To compute the portion of the \$2,000 separate limitation loss that is allocable to the "financial services income" separate limitation, Corporation X divides the \$1,000 of separate limitation income by \$5,000 (the combined separate limitation income from all categories with positive taxable income). The result is 20%, which is multiplied by the separate limitation loss of \$2,000. Corporation X enters the product of \$400 on line 2e, column (ii).

The final step is to compute the line 3 subtotals. Corporation X enters \$2,400 on line 3, column (i), \$600 on line 3, column (ii), and \$0 on line 3, column (v).

Line 4.—Enter your overall foreign losses for the tax year (from line 3) to the extent they have reduced U.S. source income for the tax year.
If an overall foreign loss has reduced U.S. source income, do not complete the remainder of Part II with respect to that separate limitation. (However, you must complete Parts II and III with respect to that separate limitation to show the year-end balance in the separate limitation loss and overall foreign loss accounts.)

Line 5.—Section 904(f)(1) requires you to recapture overall foreign losses that reduced U.S. source income in prior tax years. Recapture is accomplished by treating as U.S. source income a portion of the current year separate limitation income that is of the same limitation as the loss that recaptured in the prior year overall foreign loss. Recapture continues until the applicable overall foreign loss account (Part III of this schedule) is reduced to zero.

The amount of any current year separate limitation income subject to recapture is the lesser of the balance in the applicable overall foreign loss account (the applicable line 1 amount of Part III of this schedule) or 50% of all amounts across line 3, Part I of this schedule. You may make an annual, revocable election to recapture a greater portion of the balance in an overall foreign loss account. You may make the election by attaching a statement to Form 1118 indicating the percentage and dollar amount of the separate limitation income that is being treated as U.S. source income and the percentage and dollar amount of the balance (both before and after recapture) in the overall foreign loss account that is being recaptured.

Line 7.—Section 904(f)(5) states that if you allocated a separate limitation loss in a prior tax year, and you have income during the current tax year in the separate limitation from which the loss was allocated, that current year income (to the extent it has not previously been recharacterized) must be recharacterized as income of the separate limitations to which the loss was allocated in the prior year(s).

If you allocated a prior year separate limitation loss to more than one separate limitation and there is not enough current year income in the separate limitation from which the loss was allocated to which the loss was allocated in the prior year(s), then the current year income shall be recharacterized as income of the other separate limitations on a pro rata basis in the following manner:

Current year income in separate limitation from which losses were previously allocated x Amount remaining to be recharacterized as income of all separate limitations.

Any amount that is not recharacterized during the tax year (that is, the excess of separate limitation losses previously allocated over current year income in that same separate limitation) must be entered into the grid in Part II of this schedule. Note: Recharacterization of separate limitation income does not result in recharacterizing any tax. The rules of Regulations section 1.904(f) apply on an annual basis for purposes of allocating taxes to separate limitations.

To the extent prior year separate limitation losses are able to be recharacterized, the total amounts recharacterized should be entered into the bold-outlined boxes as negative numbers. Each prior year separate limitation loss recharacterized should be entered across the same line under the appropriate column heading to which it was recharacterized as a positive number. Note: The numbers entered across any given line should "zero out".

Example 2.—Assume the same facts in Example 1 above. Also assume that, in a subsequent tax year, Corporation X has \$1,500 of income in its "shipping income" separate limitation (on line 6, column (v), of its Schedule J).

Since there is not enough income in the "shipping income" separate limitation to recharacterize the entire \$2,000 prior year balance remaining to be recharacterized, Corporation X will prorate the \$1,500 of income in that subsequent year as follows:

To compute the portion to be recharacterized as "general limitation income," Corporation X divides the \$1,500 remaining to be recharacterized from "shipping income" by the \$2,000 remaining to be recharacterized. The result is 75%. To compute the portion to be recharacterized as "financial services income," Corporation X divides the \$400 "shipping income" by the \$1,500 of income in that subsequent year. The result is 26%. Corporation X enters the product of \$1,200 as a positive number on line 7e, column (i).

To compute the portion to be recharacterized as "financial services income," Corporation X divides the \$400 "shipping income" by the \$1,500 of income in that subsequent year. The result is 26%. Corporation X enters the product of \$396 as a positive number on line 7e, column (ii).

Corporation X enters the \$1,500 of "shipping income" that was recharacterized in the bold outlined box at line 7e, column (v). Note that the total amounts entered across line 7e now "zero out".

Finally, Corporation X completes the Part II recharacterization balances grid by entering \$400 on line (a), column (i), and \$100 on line (a), column (ii).

Line 10.—Enter the U.S. source losses allocated to separate limitation income during the tax year. Such allocations should be performed using the following formula:

U.S. source loss x Income in the separate limitation category / Combined separate limitation income.

U.S. source losses that are part of a net operating or net capital loss that are carried back or forward to another tax year in accordance with section 172 of Regulations sections 1.1502-21(b) and 1.1502-79(a) are allocated first to U.S. source income for the tax year to which the losses are carried, and then to the separate limitation income for the current tax year in accordance with the rules set forth above.

U.S. source losses in excess of your separate limitation losses for a tax year shall be treated as net operating losses that may be carried back or forward to other tax years in accordance with section 172.

Part II

Section 904(f)(5) states that if you allocated a separate limitation loss in a prior tax year, and you have income during the current tax year in the separate limitation from which the loss was allocated, that current year income (to the extent it has not previously been recharacterized) must be recharacterized as income of the separate limitations to which the loss was allocated in the prior year(s).

To determine the amounts to be entered into the grid, add the current year separate limitation loss allocations (subject to Regulations section 1.904(f)(5) capital gains adjustments) to last year's year-end balances and subtract the amounts recharacterized during the current tax year. Enter the amounts into the grid as follows:
(1) Go down the left side of the schedule to find the separate limitation from which losses were previously allocated.
(2) Go across that line until you reach the column(s) of the separate limitation to which the losses were previously allocated.

(3) Enter the amounts (as determined above) in the space where the row and column intersect.
Example 3.—Assume the same facts in Example 1 above. Also assume that Corporation X does not have any remaining balances from any prior allocations of losses from its "shipping income" separate limitation to its "general limitation" or its "financial services income" separate limitations. As such, the corporation would enter \$1,600 on line (e), column (i), and \$400 on line (e), column (ii).

Part III
Overall foreign loss account balances.—For each separate limitation, you are required by Regulations section 1.904(f)(1)(b) to show the balances at the beginning of the tax year, any adjustments, and the balances in your overall foreign loss accounts at the end of the tax year.

Line 1.—Enter the ending balances from last year's Schedule J.

Lines 2, 3 and 4.—These lines are used to show any adjustments made to your overall foreign loss accounts for each separate limitation during the tax year. A list of possible additions to the accounts is shown in Regulations section 1.904(f)(1)(b) and a list of possible reductions (including recapture) is shown in Regulations section 1.904(f)(1)(c).

Line 5.—Enter the applicable amount(s) from line 5, Part I, Schedule J.

Line 6.—Enter the year-end balances of your overall foreign loss accounts for each separate limitation.

Computer Generated Schedule J

You may submit computer generated Schedules J if they are in conformity with the IRS version of the schedule. For example, if you received dividends from more than one noncontrolled section 502 corporation, you will have to expand Schedule J to properly allocate the separate limitation losses among categories with positive taxable income (since dividends received from each noncontrolled section 502 corporation is a separate limitation).

Forms and Instructions

Form 1120 U.S. Corporation Income Tax Return 1987. Includes sections for Income, Deductions, Tax and Payments, and Sign Here.

Schedule C Cost of Goods Sold and/or Operations (See instructions for line 2, page 1). Includes sections for Schedule C, Dividends and Special Deductions, and Compensation of Officers.

Forms and Instructions







housing credit is part of the general business credit for expenditures made after 1986. See section 42 and Form 8586, Low-income Housing Credit.

**Form 3800, General Business Credit.** Enter on the appropriate line of the corporate tax return the amount of the credit from Form 3800, and check the boxes indicating which forms are attached to the return. If the corporation is claiming only one of the above credits, you do not have to complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being taken. However, if the corporation has a carryforward or credit of any of these credits (or a carryforward of an ESOP credit), it must use Form 3800 for those credits. See Publication 577, General Business Credit.

**Line 4**  
**Tax from recouping prior-year investment credit.** If property is disposed of or ceases to be qualified property before the end of the life years used in computing the regular or energy investment credit, there may be a recapture of the credit. See Form 4255, Recapture of Investment Credit.

**Line 5**  
**Alternative minimum tax.** Attach Form 4626, Alternative Minimum Tax—Corporations, if the taxable income plus adjustments and tax preference items of the corporation exceed \$40,000. See Form 4626 for details.

**B. Form 1120, Schedule J**  
**Lines 1 and 2**  
 Members of a controlled group, as defined in section 1563, with tax years that begin before July 1, 1987 are entitled to only one \$25,000 amount in each taxable income bracket on line 2A. Members of a controlled group that have tax years that end after June 30, 1987, are entitled to one \$50,000 amount and one \$25,000 amount (in that order) in each taxable income bracket on line 2B.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to the plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. There are other requirements as well. See Regulations under section 1.1561-3(b) for the requirements and for the time and manner of making the consent.

**Equal Apportionment Plan.** If no apportionment plan is adopted, the members of the controlled group must divide the amount in each taxable income bracket among themselves. For example, a controlled group AB consists of corporation A and corporation B. Both corporations with tax years which include July 1, 1987. They do not elect an apportionment plan. Therefore, corporation A is entitled to \$12,500 (one-half of \$25,000) in each taxable income bracket on line 2A. Corporation B is also entitled to \$12,500 in each taxable income bracket. Each income bracket on line 2B is also equally divided.

**Unequal Apportionment Plan.** Members of

income brackets as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income brackets. However, the total amount for all members of the controlled group cannot be more than the total amount in each taxable income bracket.

Each member of a controlled group must answer Question 5 in the Additional Information Section of Form 1120.

**Notes: Members of a controlled group of corporations are treated as one corporation for purposes of figuring the applicability of the additional 5% tax. If the additional tax applies, each member of the group must attach to its return a schedule that shows the taxable income of the entire group as well as how its portion of the additional tax was figured.**

**Line 3**  
**Bank holding companies.** Section 6159 provides that a bank holding company may elect to pay in installments the tax attributable to the sale of certain assets whose ownership is certified by the Board of Governors of the Federal Reserve System. If the bank holding company chooses this election, attach a statement showing the tax computation and the amount of the installment paid with this return. Also, in the right-hand margin next to line 3, Schedule J, enter the amount of the installment payment followed by the words "computed under section 6159." If an election under section 1103(g) or (h) applies, enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be.

**Mutual savings bank conducting life insurance business.** The paid-up reserve 594 consists of the sum of: (1) a partial tax credit on line 1120 on the taxable income of the bank determined with regard to income or deductions allocable to the life insurance department; and (2) a partial tax on the taxable income computed on Form 1120 of the life insurance department. Enter the combined tax on line 3, Schedule J, Form 1120. Attach Form 1120, as a schedule and identify it as such.

**Line 4a**  
**Foreign tax credit.** See Form 1118, Computation of Foreign Tax Credit—Corporations, for an explanation of when a corporation can take this credit for payment of income tax to a foreign country.

**Line 4b**  
**Possessions tax credit.** See Form 5712, Section 1361, as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936.

**Line 4c**  
**Orphan drug credit.** See section 28 and Form 6765, Credit for Increasing Research Activities (or for claiming the orphan drug credit), for an explanation of when a corporation can take this credit, as well as how it is figured.

**Line 4d**  
**Credit for fuel produced from a nonconventional source.** A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

**Line 4e**  
**General business credit.** See the earlier instructions for Form 1120-A, line 2, under the heading Tax Computation.

**Line 7**  
**Personal holding company tax.** A corporation is taxed as a personal holding company under section 542 if:  
 • At least 60% of its adjusted ordinary gross income, defined in section 543(b)(2), for the tax year is personal holding company income as defined in section 543(a), and  
 • At any time during the last half of the tax year more than 50% in value of its outstanding stock is owned, directly or indirectly, by not more than 5 individuals.

Use Schedule PH (Form 1120), Computation of U.S. Personal Holding Company Tax, to figure this tax.

**Line 8**  
**Tax from recouping prior-year investment credit.** See the earlier instructions for Form 1120-A, line 4, under the heading Tax Computation.

**Line 9a**  
**Alternative minimum tax.** Attach Form 4626, Alternative Minimum Tax—Corporations, if the taxable income plus adjustments and tax preference items of the corporation exceed \$40,000. See Form 4626 for details.

**Line 9b**  
**Environmental tax.** The Superfund Amendments and Reauthorization Act of 1986 added new section 594, which requires that corporations pay an environmental tax. The environmental tax is 0.12 per cent of modified alternative minimum taxable income of the corporation in excess of \$2,000,000. See Form 4626 for computation of environmental tax.

**Schedule M-2 (Form 1120-Only)**  
**Unappropriated Retained Earnings**

**Line 5**  
**Distributions under the Bank Holding Company Act.** If an election under section 1103(g) or (h) applies to a section 1101 distribution, the bank holding company making the distribution must enter the words "section 1103(g) election," as the case may be, in the right-hand margin next to line 5, Schedule M-2, Form 1120.

**Schedules A and B Tax Computation Worksheet**  
 Effective July 1, 1987, the tax rates for corporations were reduced. The new rates of tax are:  
 15% on the first \$50,000 of income;  
 25% on the next \$25,000 of income; and  
 34% on any amount over \$75,000.

Also, an additional tax of 5% is applied against income in excess of \$100,000. The maximum amount of this additional tax is \$11,750.

**Corporations with tax years beginning after June 30, 1987, should complete Schedule B only.**

**Schedule A Tax Computed for Period Before July 1, 1987**

- 1 Taxable income (line 30, Form 1120, or line 26, Form 1120-A).
- 2 Net capital gain (if the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120)). If the alternative tax does not apply, enter zero. See instructions.
- 3 Subtract line 2 from line 1.
- 4 Enter the lesser of line 3 or \$25,000 (members of a controlled group, see instructions).
- 5 Subtract line 4 from line 3.
- 6 Enter the lesser of line 5 or \$25,000 (members of a controlled group, see instructions).
- 7 Subtract line 6 from line 5.
- 8 Enter the lesser of line 7 or \$25,000 (members of a controlled group, see instructions).
- 9 Subtract line 8 from line 7.
- 10 Enter the lesser of line 9 or \$25,000 (members of a controlled group, see instructions).
- 11 Subtract line 10 from line 9.
- 12 Multiply line 4 times 15%.
- 13 Multiply line 6 times 18%.
- 14 Multiply line 8 times 30%.
- 15 Multiply line 10 times 40%.
- 16 Multiply line 11 times 46%.
- 17 Additional tax. If line 3 is greater than \$100,000, enter the lesser of: (a) 5% of the excess of line 3 over \$100,000 or (b) \$20,250 (members of a controlled group, see instructions).
- 18 Add amounts on lines 12 through 17.

**Schedule B Tax Computed for Period After June 30, 1987**

- 19 Taxable income (line 30, Form 1120, or line 26, Form 1120-A).
- 20 Net capital gain (if the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120)). If the alternative tax does not apply, enter zero. See instructions.
- 21 Subtract line 20 from line 19.
- 22 Enter the lesser of line 21 or \$50,000 (members of a controlled group, see instructions).
- 23 Subtract line 22 from line 21.
- 24 Enter the lesser of line 23 or \$25,000 (members of a controlled group, see instructions).
- 25 Subtract line 24 from line 23.
- 26 Multiply line 24 times 15%.
- 27 Multiply line 24 times 25%.
- 28 Multiply line 25 times 34%.
- 29 Additional tax. If line 21 is more than \$100,000, enter the lesser of: (a) 5% of the excess of line 21 over \$100,000 or (b) \$11,750 (members of a controlled group, see instructions).
- 30 Add lines 26 through 29. (If only Schedule B was completed, skip lines 31 through 34. Enter the amount from line 30 on line 3, Schedule J, Form 1120, or on line 1, Part I, Form 1120-A.)
- 31 Enter amount from line 18, Schedule A (Above).
- 32 Line 31 x number of days in tax year before 7-1-87 / number of days in tax year
- 33 Line 30 x number of days in tax year after 6-30-87 / number of days in tax year
- 34 Tax liability before credits. Add amounts on lines 32 and 33. Enter here and on line 3, Schedule J, Form 1120, or on line 1, Part I, Form 1120-A. If alternative tax applies, enter on line 12, Schedule D (Form 1120).

**Instructions for Schedules A and B, Tax Computation Worksheet**  
**Net Capital Gain and Alternative Tax**  
 Lines 2 and 20—In general, the alternative tax is the sum of (a) a tax computed on taxable income reduced by brackets and tax rates, and (b) a tax of 34% of the net capital gain.

For tax years beginning on or after July 1, 1987, the alternative tax computation does not apply. If a corporation's tax year begins before July 1, 1987, and the corporation has a net capital gain, both computations (the regular tax computation and the alternative tax computation) should be made to determine which results in the lower tax.

The alternative tax is computed by using Schedules A and B of the tax computation worksheet and Part IV of Schedule D (Form 1120). If the alternative tax is less than the regular tax computed on taxable income using the applicable tax brackets and tax rates, then the corporation may enter the alternative tax from Schedule D in Part I, line 1, page 2, Form 1120-A, or line 3, Schedule J, Form 1120, and check the box for alternative tax.

**Lines 4, 8, 10, 12 and 24**—Members of a controlled group must enter their portion of each taxable income bracket on line 2A, and the corporation has to enter its portion of each taxable income bracket on line 2B. If the corporation has a net capital gain, both computations (the regular tax computation and the alternative tax computation) should be made to determine which results in the lower tax.

**Line 17**—If the total taxable income of the controlled group of corporations is more than \$1,000,000, each member should enter its portion of the additional tax on line 17 as explained in the instructions for Schedule J (Form 1120).

**Line 28**—If total taxable income of the controlled group of corporations is more than \$100,000, each member should enter its portion of the additional tax on line 29. See section 1561 for rules on determining each member's share of the additional tax.

**Codes for Principal Business Activity**

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged. The classification and administration of the Internal Revenue Code. Though similar to the classification and administration of the Standard Industrial Classification (SIC), they should not be used as SIC codes.

Using the list below, enter on page 1, line C, the code number for the principal business activity of the corporation. If the corporation has more than one principal business activity, enter the code number for the activity that is the largest percentage of total receipts (see instructions on line 10, schedule J).

On page 3, line J, Form 1120 or items A and B, page 1, Form 1120-A, enter the principal business activity and principal business activity that is the largest percentage of total receipts. For example, if a corporation's principal business activity is "Grain mill products," the principal product or service is "Grain mill products."

If a principal business activity, the corporation (1) purchases raw materials, (2) substantially adds to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

<b>Agriculture, Forestry, and Fishing</b>	<b>Code</b>	<b>Code</b>	<b>Code</b>
0100 Agriculture production	2855 Paper and allied products	3630 Electrical and electronic equipment	7100 Wholesale trade
0200 Forestry and logging	2859 Pulp, paper, and board mills	3640 Radio, television, and communication equipment	7200 Retail trade
0900 Fishing, hunting, and trapping	2999 Other paper products	3670 Electronic components and accessories	7300 Hotels, motels, and other lodging places
<b>Mining</b>	2110 Newsprint	3700 Other electrical equipment	7400 Eating and drinking places
1010 Iron ores	2200 Periodicals	3710 Aircraft, guided missiles, and parts	7500 Real estate operations and leasing of buildings
1020 Copper, lead, zinc, gold, and silver ores	2700 Books, printing, and allied products	3720 Ship and boat building and repairing	7600 Lessors of real estate, except lease or license of real estate
1090 Other metal mining	2710 Books, printing, and allied products	3730 Other transportation equipment	7700 Leasing of personal property, except motor vehicles and trailers
1100 Coal mining	2720 Books, printing, and allied products	3740 Motor vehicles and trailers	7800 Motion picture and sound recording industries
1200 Oil and gas production, natural gas, and hydrocarbon liquids	2730 Books, printing, and allied products	3750 Other motor vehicles and trailers	7900 Amusement and recreation
1300 Oil and gas field services	2799 Chemicals and allied products	3800 Photographic equipment and supplies	8000 Educational services
1400 Petroleum, natural gas, and hydrocarbon liquids	2815 Industrial chemicals, plastics materials, and synthetic rubbers	3815 Scientific instruments and related devices, watches and clocks	8100 Health services
1500 Other petroleum and coal products	2820 Drugs	3845 Optical, medical, and ophthalmic instruments and supplies	8200 Hotels, motels, and other lodging places
1600 Nonmetallic mineral, except fuels	2840 Soap, cleaners, and toilet goods	3850 Photographic equipment and supplies	8300 Other health services
1430 Cement, crushed and broken, stone, sand and gravel	2850 Fertilizers and other chemical products	3860 Photographic equipment and supplies	8400 Other health services
1500 Other nonmetallic mineral products	2899 Agricultural and other chemical products	3900 Other manufacturing products	8500 Other health services
<b>Construction</b>	2910 Petroleum refining and related industries (including those integrated with extraction)	<b>Transportation and Public Utilities</b>	<b>Finance, Insurance, and Real Estate</b>
1510 General building contractors and separate building	2999 Other petroleum and coal products	4000 Railroad transportation	8600 Banks, credit institutions, and other financial institutions
1510 Heavy construction contractors	3000 Rubber, plastics, leather, and miscellaneous products	4100 Local and interurban passenger transit	8700 Insurance companies, except life, accident, and health
1511 Operations buildings	3010 Rubber, plastics, leather, and miscellaneous products	4200 Trucking and warehousing	8800 Other insurance companies, except life, accident, and health
1512 Operations buildings	3020 Rubber, plastics, leather, and miscellaneous products	4400 Water transportation	8900 Other insurance companies, except life, accident, and health
1513 Operations buildings	3030 Rubber, plastics, leather, and miscellaneous products	4500 Transportation by air	9000 Other insurance companies, except life, accident, and health
1514 Operations buildings	3040 Rubber, plastics, leather, and miscellaneous products	4600 Pipelines, except natural gas	9100 Other insurance companies, except life, accident, and health
1515 Operations buildings	3050 Rubber, plastics, leather, and miscellaneous products	4700 Other transportation services	9200 Other insurance companies, except life, accident, and health
1516 Operations buildings	3060 Rubber, plastics, leather, and miscellaneous products	4800 Communication services	9300 Other insurance companies, except life, accident, and health
1517 Operations buildings	3070 Rubber, plastics, leather, and miscellaneous products	4900 Electric, gas, and steam supply	9400 Other insurance companies, except life, accident, and health
1518 Operations buildings	3080 Rubber, plastics, leather, and miscellaneous products	5000 Other communication services	9500 Other insurance companies, except life, accident, and health
1519 Operations buildings	3090 Rubber, plastics, leather, and miscellaneous products	5100 Other communication services	9600 Other insurance companies, except life, accident, and health
1520 Operations buildings	3100 Rubber, plastics, leather, and miscellaneous products	5200 Other communication services	9700 Other insurance companies, except life, accident, and health
1521 Operations buildings	3110 Rubber, plastics, leather, and miscellaneous products	5300 Other communication services	9800 Other insurance companies, except life, accident, and health
1522 Operations buildings	3120 Rubber, plastics, leather, and miscellaneous products	5400 Other communication services	9900 Other insurance companies, except life, accident, and health
1523 Operations buildings	3130 Rubber, plastics, leather, and miscellaneous products	5500 Other communication services	9999 Other insurance companies, except life, accident, and health
1524 Operations buildings	3140 Rubber, plastics, leather, and miscellaneous products	5600 Other communication services	
1525 Operations buildings	3150 Rubber, plastics, leather, and miscellaneous products	5700 Other communication services	
1526 Operations buildings	3160 Rubber, plastics, leather, and miscellaneous products	5800 Other communication services	
1527 Operations buildings	3170 Rubber, plastics, leather, and miscellaneous products	5900 Other communication services	
1528 Operations buildings	3180 Rubber, plastics, leather, and miscellaneous products	6000 Other communication services	
1529 Operations buildings	3190 Rubber, plastics, leather, and miscellaneous products	6100 Other communication services	
1530 Operations buildings	3200 Rubber, plastics, leather, and miscellaneous products	6200 Other communication services	
1531 Operations buildings	3210 Rubber, plastics, leather, and miscellaneous products	6300 Other communication services	
1532 Operations buildings	3220 Rubber, plastics, leather, and miscellaneous products	6400 Other communication services	
1533 Operations buildings	3230 Rubber, plastics, leather, and miscellaneous products	6500 Other communication services	
1534 Operations buildings	3240 Rubber, plastics, leather, and miscellaneous products	6600 Other communication services	
1535 Operations buildings	3250 Rubber, plastics, leather, and miscellaneous products	6700 Other communication services	
1536 Operations buildings	3260 Rubber, plastics, leather, and miscellaneous products	6800 Other communication services	
1537 Operations buildings	3270 Rubber, plastics, leather, and miscellaneous products	6900 Other communication services	
1538 Operations buildings	3280 Rubber, plastics, leather, and miscellaneous products	7000 Other communication services	
1539 Operations buildings	3290 Rubber, plastics, leather, and miscellaneous products	7100 Other communication services	
1540 Operations buildings	3300 Rubber, plastics, leather, and miscellaneous products	7200 Other communication services	
1541 Operations buildings	3310 Rubber, plastics, leather, and miscellaneous products	7300 Other communication services	
1542 Operations buildings	3320 Rubber, plastics, leather, and miscellaneous products	7400 Other communication services	
1543 Operations buildings	3330 Rubber, plastics, leather, and miscellaneous products	7500 Other communication services	
1544 Operations buildings	3340 Rubber, plastics, leather, and miscellaneous products	7600 Other communication services	
1545 Operations buildings	3350 Rubber, plastics, leather, and miscellaneous products	7700 Other communication services	
1546 Operations buildings	3360 Rubber, plastics, leather, and miscellaneous products	7800 Other communication services	
1547 Operations buildings	3370 Rubber, plastics, leather, and miscellaneous products	7900 Other communication services	
1548 Operations buildings	3380 Rubber, plastics, leather, and miscellaneous products	8000 Other communication services	
1549 Operations buildings	3390 Rubber, plastics, leather, and miscellaneous products	8100 Other communication services	
1550 Operations buildings	3400 Rubber, plastics, leather, and miscellaneous products	8200 Other communication services	
1551 Operations buildings	3410 Rubber, plastics, leather, and miscellaneous products	8300 Other communication services	
1552 Operations buildings	3420 Rubber, plastics, leather, and miscellaneous products	8400 Other communication services	
1553 Operations buildings	3430 Rubber, plastics, leather, and miscellaneous products	8500 Other communication services	
1554 Operations buildings	3440 Rubber, plastics, leather, and miscellaneous products	8600 Other communication services	
1555 Operations buildings	3450 Rubber, plastics, leather, and miscellaneous products	8700 Other communication services	
1556 Operations buildings	3460 Rubber, plastics, leather, and miscellaneous products	8800 Other communication services	
1557 Operations buildings	3470 Rubber, plastics, leather, and miscellaneous products	8900 Other communication services	
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1559 Operations buildings	3490 Rubber, plastics, leather, and miscellaneous products	9100 Other communication services	
1560 Operations buildings	3500 Rubber, plastics, leather, and miscellaneous products	9200 Other communication services	
1561 Operations buildings	3510 Rubber, plastics, leather, and miscellaneous products	9300 Other communication services	
1562 Operations buildings	3520 Rubber, plastics, leather, and miscellaneous products	9400 Other communication services	
1563 Operations buildings	3530 Rubber, plastics, leather, and miscellaneous products	9500 Other communication services	
1564 Operations buildings	3540 Rubber, plastics, leather, and miscellaneous products	9600 Other communication services	
1565 Operations buildings	3550 Rubber, plastics, leather, and miscellaneous products	9700 Other communication services	
1566 Operations buildings	3560 Rubber, plastics, leather, and miscellaneous products	9800 Other communication services	
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**Lines 4, 8, 10, 12 and 24**—Members of a controlled group must enter their portion of each taxable income bracket on line 2A, and the corporation has to enter its portion of each taxable income bracket on line 2B. If the corporation has a net capital gain, both computations (the regular tax computation and the alternative tax computation) should be made to determine which results in the lower tax.

**Line 17**—If the total taxable income of the controlled group of corporations is more than \$1,000,000, each member should enter its portion of the additional tax on line 17 as explained in the instructions for Schedule J (Form 1120).

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On page 3, line J, Form 1120 or items A and B, page 1, Form 1120-A, enter the principal business activity and principal business activity that is the largest percentage of total receipts. For example, if a corporation's principal business activity is "Grain mill products," the principal product or service is "Grain mill products."

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1516 Operations buildings	3060 Rubber, plastics, leather, and miscellaneous products	4800 Communication services	9300 Other insurance companies, except life, accident, and health

Name, Employer identification number, City or town, state and ZIP code, Country

Notes: Complete Section I to compute tax on income from U.S. sources that is NOT effectively connected with the conduct of a trade or business in the U.S.

A Country of incorporation, B Foreign country under whose laws the income reported on this return is subject to tax, C Date incorporated, D The corporation's books are in care of, E Were you at any time during the tax year engaged in a trade or business in the U.S., F At any time during the tax year, did you have a permanent establishment in the U.S. for purposes of applying section 894(b) and any applicable tax treaty between the U.S. and a foreign country?, G (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a U.S. corporation, (2) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a U.S. corporation (if rules of attribution, see section 267(c)), H Have you filed a U.S. income tax return for the preceding tax year?, I If you had an agent in the U.S. at any time during the year, enter: Name, Address, J Are you a foreign personal holding company under section 552?, K Are you a personal holding company? (See Schedule PH (Form 1120)), L Are you a controlled foreign corporation? (Sec. 957)

Table with 11 rows for tax computation: 1 Tax from Section I (line 11, page 2), 2 Tax from Section II (line 8, Schedule J—Tax Computation, page 4), 3 Branch profits tax, 4 Personal holding company tax, 5 Alternative minimum tax, 6 TOTAL tax—Add lines 1 through 5, 7 Credits, 8 Total (and lines 7a through 7g), 9 TAX DUE (subtract line 8 from line 6), 10 OVERPAYMENT (attach Form 4426), 11 Enter amount of line 10 you want: Credit to 1988 estimated tax

Please Sign Here, Preparer's signature, Date, Title, Preparer's social security no., Form's name (or your name if you are the preparer), ZIP code

If you are required to complete Section II or are using the form as a claim for refund of tax withheld at the source, include in this section ALL income from U.S. sources that is NOT effectively connected with the conduct of a trade or business in the U.S. Otherwise, you may include only those items of income on which the U.S. income tax was not fully paid at the source. The rate of tax on each item of income listed below is 30% (4% for the gross transportation tax) unless limited by tax treaty. Fill in treaty rates where applicable.

Table with 5 columns: Name of treaty country, if any, Nature of income, Amount, Rate of tax (%), Amount of tax, Amount of U.S. income tax paid or withheld at the source. Rows include Interest, Dividends, Rents, Royalties, Annuities, Gains from disposal of timber, coal, or domestic iron ore, Gains from sale or exchange of patents, copyrights, etc., Fiduciary distributions, Gross transportation income, Other fixed or determinable annual or periodic income.

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Table with 31 rows for income calculation: 1 a Gross receipts or sales, b Less returns and allowances, 2 Cost of goods sold and/or operations, 3 Gross profit, 4 Dividends, 5 Interest, 6 Gross rents, 7 Gross royalties, 8 Capital gain net income, 9 Net gain or (loss), 10 Other income, 11 TOTAL income, 12 Compensation of officers, 13 Salaries and wages, 14 Repairs, 15 Bad debts, 16 Rents, 17 Taxes, 18 Interest, 19 Contributions, 20 Depreciation, 21 Depreciation claimed in Schedule A and elsewhere on return, 22 Balance, 23 Depletion, 24 Advertising, 25 Pension, profit-sharing, etc. plans, 26 Employee benefit programs, 27 Other deductions, 28 TOTAL deductions, 29 Taxable income before net operating loss deduction and special deductions, 30 Less: a Net operating loss deduction, b Special deductions, 31 Taxable income or (loss)

Schedule A.—Cost of Goods Sold and/or Operations (see Instructions), 1 Inventory at beginning of year, 2 Purchases, 3 Cost of labor, 4 a Add normal section 263A costs, b Other costs, 5 Total—Add lines 1 through 4, 6 Inventory at end of year, 7 Cost of goods sold, 8 Check all methods used for valuing closing inventory: (i) Cost, (ii) Lower of cost or market, (iii) Writedown of "subnormal" goods, (iv) Other, 9 If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO, 10 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the corporation?, 11 Was there any change (other than for section 263A purposes) in determining quantities, cost, or valuations between opening and closing inventory?

Table with 12 rows for dividends and special deductions: 1 Domestic corporations subject to the section 243(a) deduction, 2 Debt-financed stock of domestic and foreign corporations, 3 Certain preferred stocks of public utilities, 4 Foreign corporations and certain FSCs subject to the section 245(a) deduction, 5 Total—Add lines 1 through 4, column (c). See instructions for limitation, 6 Deduction for dividends paid on certain preferred stocks of public utilities (see instructions), 7 Other dividends from foreign corporations, 8 Foreign dividend gross-up (section 78), 9 Taxable dividends from an IC-DISC or former DISC not included in line 1 and for line 2 (section 246(d)), 10 Other dividends, 11 Total dividends—Add lines 1 through 10, column (a). Enter here and on line 4, Section II, page 3, 12 Total special deductions—Add lines 5 and 6, column (c). Enter here and on line 20b, Section II, page 3. Complete Schedule E only if your total receipts (line 1a plus line 4 through Schedule E—Compensation of Officers, Complete Schedule E only if your total receipts (line 1a plus line 4 through 10 of Section II, page 3) are \$150,000 or more (see instructions).

Schedule J.—Tax Computation (see Instructions), 1 Check if you are a member of a controlled group, 2 If line 1 is checked and your tax year includes June 30, 1987, enter your portion of the \$25,000 amount in each tax bracket on line a, and the portion of the \$50,000 and \$25,000 tax bracket on line b, 3 Income tax, 4 Foreign tax credit, 5 Total—Add lines 4a through 4d, 6 Subtract line 5 from line 3, 7 Tax from recomputing prior-year investment credit, 8 Total tax—Add lines 6 and 7. Enter here and on line 2, page 1.

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SECTION III - Branch Profits and Branch-Level Interest Taxes

Part I Computation of Branch Profits Tax

Form 1120F Part I: Computation of Branch Profits Tax. Includes instructions for entering taxable income, adjustments, and interest taxes.

Part II Computation of Branch-Level Interest Tax

Form 1120F Part II: Computation of Branch-Level Interest Tax. Includes instructions for entering interest amounts and tax rates.

Other Deductions

Table for Other Deductions with columns for Explanation and Amount.

Additional Information Required

Form 1120F Additional Information Required: Business description, principal products, and other details.

Schedule L - Balance Sheets

Schedule L: Balance Sheets. Table with columns for Beginning of tax year and End of tax year, and rows for ASSETS and LIABILITIES AND STOCKHOLDERS' EQUITY.

Schedule M-1 - Reconciliation of Income Per Books With Income Per Return

Schedule M-1: Reconciliation of Income Per Books With Income Per Return. Table for reconciling book income with return income.

1987

Department of the Treasury Internal Revenue Service

Instructions for Form 1120F

U.S. Income Tax Return of a Foreign Corporation

(Section references are to the Internal Revenue Code unless otherwise noted.)

Items You Should Note

The Tax Reform Act of 1986 made several changes to the way corporations compute their taxable income and their tax liability.

Paperwork Reduction Act Notice

We ask for the information to carry out the Internal Revenue laws of the United States. The information is used to ensure that taxpayers are complying with these laws and to allow us to know and collect the correct amount of tax.

General Instructions

A. Purpose of Form Form 1120F is used to report a foreign corporation's income, deductions, credits, and taxes to the United States.

B. Filing the Return

1. Who Files Form 1120F - Except for corporations described in instruction 8f, every foreign corporation must file this form if, during the tax year, it did any of the following:

- Had income from any U.S. source.
Engaged in a trade or business in the U.S.
Had tax preference items, as described in section 57, that affect the corporation's computation of its unrelated business income.
Overpaid income tax that it wants refunded.

The foreign corporation must file Form 1120F even if its income is tax exempt under an income tax treaty or double tax agreement.

A receiver, assignee, or trustee in dissolution or bankruptcy must file Form 1120F if that person has or holds title to virtually all of a foreign corporation's property or business.

An agent in the U.S. must file the return if the foreign corporation has no office or place of business in the U.S. when due.

Consolidated returns - A foreign corporation cannot be filed in a consolidated return of corporations that files a consolidated return.

- 2. Who Does Not File Form 1120F - A foreign corporation does not need to file Form 1120F in any of the following cases:
It did not engage in a trade or business in the U.S.
It is a beneficiary of an estate or trust.
It is a life insurance company.
It is a U.S. life insurance company.
It is a U.S. property and casualty insurance company.
It is a U.S. insurance company.

3. Income of Foreign Governments and International Organizations - Income of foreign governments and international organizations from U.S. investments, stock, bonds, or other securities, or interest on bank accounts in the U.S., or financial instruments in governmental policy are not subject to U.S. taxation.

4. Dispositions of U.S. Real Property - A foreign corporation that disposes of its U.S. real property interest must treat the gain or loss as income that is effectively connected with a U.S. trade or business.

5. U.S. Real Property Interest - Generally, U.S. real property interest is an interest in real property located in the United States.

6. U.S. Source Income - Corporations that do not maintain an office or place of business in the U.S. are treated as if they have a U.S. office on the 15th day of the 6th month after the end of their tax year.

7. Application for Automatic Extension of Time - A foreign corporation may apply for an automatic 6-month extension of time to file Form 1120F.

Corporations that maintain an office or place of business in the U.S. have until the 15th day of the 3rd month after the end of their tax year to file Form 1120F.

These corporations are treated under regulations section 1.6081-2(a) as if they were U.S. corporations for the 6-month extension period.

8. Address - The address used on the return should be the location of the books and records used in the preparation of the return.

9. Other Form Schedules and Statements That May Be Required - (a) Forms. Foreign corporations may also have to file other forms.

(b) Information Return. This form is filed by certain officers, directors, or U.S. shareholders of certain foreign corporations.

(c) Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. This form is used to report income payments that are subject to withholding.

(d) Annual Summary and Transmittal of U.S. Information Returns. This form is used to report the receipt from any individual of \$500 or more of mortgage interest in the business for any calendar year.

(e) Information Return for U.S. Source Income of Foreign Persons. This form is used to report certain payments, such as dividends and interest.

(f) Information Return for U.S. Source Income of Foreign Persons. This form is used to report certain payments, such as dividends and interest.

(g) Information Return for U.S. Source Income of Foreign Persons. This form is used to report certain payments, such as dividends and interest.

Form 5713 - International Boycott Report. For persons having investments in or related to boycotted countries.

Form 8264 - Application for Registration or Renewal. Used to register as a shareholder or assignee to register tax shelters with the IRS.

Form 8271 - Investor Reporting of Tax Shelter Registration Number. Used by investors who have acquired an interest in a tax shelter.

Form 8300 - Report of Cash Payments Over \$10,000 Received in a Trade or Business. This form is used to report the receipt of more than \$10,000 in cash or foreign currency in one transaction.

Form 8322 - Passive Activity Loss. This form is used to report the amount of passive activity loss allowed for the current tax year.

Form 8323 - Information Return of a Foreign Owned Corporation. A foreign corporation that is engaged in a trade or business in the United States and is controlled by a foreign person may have to file Form 8323.

Form 1042S - Foreign Person's U.S. Source Income Subject to Withholding. This form is used to report income payments that are subject to withholding.

Form 1042 - Annual Withholding Tax Return for U.S. Source Income of Foreign Persons. This form is used to report the receipt from any individual of \$500 or more of mortgage interest in the business for any calendar year.

Form 1099-DIV, INT, MISCL, and R. These forms are used to report certain payments, such as dividends and interest.

Form 4626 - Alternative Minimum Tax - Corporations. This form is used to compute the alternative minimum tax and the environmental tax.

If more space is needed on the forms or schedules, attach separate sheets and show the same information in the same order as on the printed forms.

Signatures - The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer.

Signature of officer - The signature of the officer should be in the space provided for the preparer's signature.

Signature of preparer - The signature of the preparer should be in the space provided for the preparer's signature.

Signature of taxpayer - The signature of the taxpayer should be in the space provided for the taxpayer's signature.

Signature of agent - The signature of the agent should be in the space provided for the agent's signature.

Signature of receiver - The signature of the receiver should be in the space provided for the receiver's signature.

Signature of trustee - The signature of the trustee should be in the space provided for the trustee's signature.

Signature of assignee - The signature of the assignee should be in the space provided for the assignee's signature.

Signature of other - The signature of other should be in the space provided for other's signature.

The corporation must attach a schedule to Form 1120F showing the amount of income not included in this return.

Change in Accounting Period - Generally, before changing an accounting period, the Commissioner's approval must be obtained.

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**Election to treat real property income as effectively connected income**—If a foreign corporation has a fixed place of business in the U.S. or from an enterprise in such property, the corporation may elect to treat the income as effectively connected with the conduct of a trade or business in the U.S. income affected by such an election includes:

- Rents or royalties from mines, wells, or other natural deposits;
  - Gain described in section 631(b) or (c).
- To make the election, attach a statement indicating that you are making it when you file Form 1120F for the first year involved, for that year and each year the election continues. Use Section II to figure the tax on this income.

Also attach a Schedule to Form 1120F showing the name, address, employer identification number (if any), location (state, county, city), address, and site location (if different from address). Also identify the type of real property, i.e., mines, wells, etc.

**A. Foreign corporations with no office or place of business in the U.S.** must pay the tax due in full when they file their tax return, but not later than the 15th day of the 6th month after the end of the tax year. The tax may be paid by check or money order, payable to the Internal Revenue Service, and sent to the Internal Revenue Service Center, Philadelphia, PA 19155.

**B. Foreign corporations with an office or place of business in the U.S.** must pay the tax due in full when they file their tax return, but not later than the 15th day of the 3rd month after the end of the tax year. Write the corporation's employer identification number on all payments.

Also, foreign corporations with an office or place of business in the U.S. must deposit their income tax payments with a Federal Tax Deposit Coupon (Form 1099).

Make these tax deposits with a financial institution qualified as a depository for federal taxes and which is a bank or branch serving the geographic area where the corporation is located. Do not submit deposits directly to the IRS; otherwise, the corporation may be subject to a Federal tax delinquency penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in the coupon book for more information.

When completing Form 1120F, be sure to attach the Form 1120F to the return.

To get more deposit coupons, use the order form (Form 8109A) provided in the coupon book. If you have these coupons, it should contact an IRS district office.

For more information concerning deposits, see Publication 583, Information for Business Taxpayers.

**Backup Withholding.** If a person receives certain payments and does not pay the correct employer identification number, the payer will withhold taxes from those payments of this type of withholding was withheld from payments, the corporation should show this

amount in the blank space in the right hand column between lines 7 and 8, page 1, and the amount as backup withholding. The corporation should then include the amount in the total for line 8.

**C. Corporation must make estimated tax payments** if it can expect its estimated tax (income tax minus credits) to be \$40 or more.

Use Form 1120-W (WORKSHEET), Corporation Estimated Tax, as a worksheet to determine the amount of estimated tax. If the corporation overpaid estimated tax, it may be able to get a "quick refund" by filing a refund application for quick refund of Overpayment of Estimated Tax. The overpayment must be both (1) at least 10% of expected tax liability, and (2) at least \$500. To apply, file Form 4466 within 21 months after the end of the tax year and file Form 1120F as filed.

**D. Claims for Refund.** If a foreign corporation has only income that is not effectively connected with the conduct of a trade or business in the U.S. and Form 1120F is being used as a claim for refund, include all income from sources 4 to the U.S. even though all tax on it was paid at the source.

If the refund results from withholding tax at the source, attach a statement to Form 1120F. The statement should show:

- The amounts of tax withheld;
- The names and post office addresses of withholding agents;
- The name in which the tax was withheld, if different from the taxpayer's name; and
- If applicable, an explanation to show that the taxpayer was entitled to a reduced tax rate under a treaty.

**E. Interest and Penalties.** Interest and penalty charges are described below. If a corporation files late or fails to file its return, it may be liable for penalties unless it can show that the return was due to reasonable cause and not willful neglect.

**1. Interest.**—Interest is charged on taxes not paid by the due date, even if a federal tax lien is granted. Interest is also charged on penalties imposed for failure to file, gross valuation overstatements, and substantial underpayments of tax from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

**2. Penalties.**—Penalties are imposed for failure to file a return when due (including any extensions of time for filing) and for late payment of tax. The penalty is a fraction of a month, up to a maximum of 25%, for each month the return is not filed. The minimum penalty for failure to file a return within 90 days of the due date (including any extensions of time for filing) is \$100.

**3. Late Payment of Tax.**—Generally the penalty for late payment is 5% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. The penalty is imposed on the amount due.

**4. Overpayment of Estimated Tax.**—A corporation that does not pay the proper estimated tax when due may be subject to

an underpayment penalty. To avoid the estimated tax penalty, deposit at least 90% of the corporation's tax liability. See sections 6655.

If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporation, to show how the corporation figured the penalty or if it wants to request a refund of the penalty if it overpaid on the tax on line 10, page 1.

**C. Overpayment of Tax.**—If deposits are overpaid, the corporation may be subject to a penalty. See section 6656(b).

**F. Rounding Off.** Money items may be shown on the return and accompanying schedules as whole dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 to 99 cents to the next higher dollar.

**G. Overpaid Windfall Profit Tax.** A corporation that has overpaid its windfall profit tax may claim a credit on its income tax return. Use Form 6249, Computation of Overpaid Windfall Profit Tax, to figure the credit. It includes the amount of the credit in the total for line 7a, page 1, Form 1120F, and enter the amount of credit in the margin next to line 7a and identify it as "overpaid windfall profit tax."

**H. Schedules L, M-1, and M-2.** Foreign corporations that are subject to the rules on the corporation's assets in the U.S. and M-1, and M-2 to:

• Report the corporation's assets in the U.S. and its other assets effectively connected with its trade or business in the U.S.; and

• Report income effectively connected with the conduct of a trade or business in the U.S. and other income from sources in the U.S.

Other foreign corporations may list these schedules to effectively connect assets and income. It also may list worldwide assets and income.

Do not complete Schedules M-1 and M-2 if the corporation is a U.S. resident for tax purposes (line 14, column (d) of Schedule L) or if the corporation is a U.S. resident for tax purposes (line 14, column (d) of Schedule L) or if the corporation is a U.S. resident for tax purposes (line 14, column (d) of Schedule L).

**Rules That Affect Foreign Corporations.** Source rules for personal property income from sales of personal property by a foreign corporation will generally apply to that corporation as if it were a U.S. resident for tax purposes.

**1. Personal Property.**—Source rules for personal property income from sales of personal property by a foreign corporation will generally apply to that corporation as if it were a U.S. resident for tax purposes.

**2. Dividends.**—Dividends received by a foreign corporation from a U.S. corporation are treated as if they were dividends received by a U.S. resident for tax purposes.

**3. Charitable Contributions.**—Charitable contributions made by a foreign corporation to a U.S. charity are treated as if they were charitable contributions made by a U.S. resident for tax purposes.

**4. Depreciation.**—Depreciation on property owned by a foreign corporation is generally computed in the same manner as depreciation on property owned by a U.S. resident for tax purposes.

**5. Interest.**—Interest on a loan made by a foreign corporation to a U.S. resident is treated as if it were interest on a loan made by a U.S. resident for tax purposes.

**6. Royalties.**—Royalties received by a foreign corporation from a U.S. resident are treated as if they were royalties received by a U.S. resident for tax purposes.

but only if an office or other place of business of the foreign corporation located outside the U.S. materially participated in the sale. These new source rules are generally effective for tax years beginning after 1986, but foreign corporations are grandfathered into the new source rules if their foreign source income from transactions entered into after March 18, 1986, see section 6013(d).

**Active foreign business income** is income that is derived from sources outside the U.S. and that is attributable to the active conduct of a trade or business in a foreign country or U.S. possession.

The testing period is 3 years ending with the close of the tax year preceding the year of payment. If the corporation has no income during the 3-year period (or part thereof), the testing period is the tax year in which payment is made.

A new source rule also applies to dividends paid by 80-20 corporations. In general, dividends paid after 1986 by the 80-20 corporation to a foreign corporation are treated as U.S. source income, if however, the dividends are not effectively connected with the U.S. trade or business of the foreign corporation, no withholding tax is imposed on the dividends.

**Base of Property and Inventory Costs for Property Imported by a Related Party.**—If a corporation imports property into the U.S. by a related person in a transaction entered into after March 18, 1986, and the property is sold to the foreign corporation, the base of the property to the importer cannot exceed the customs value. For more information, see section 1034.

**Certain Deferred Payments and Appreciation Treated as Income.**—If a foreign corporation is a U.S. resident for tax purposes, any income of a foreign corporation that is attributable to a sale or exchange of property or to a performance of service, or in any other transaction received in any tax year by the foreign corporation is effectively connected with the U.S. trade or business if the original transaction that gives rise to the income was effectively connected with the U.S. trade or business or occurs within 10 years after the property ceases to be held for use in a U.S. trade or business. For more information, see section 864(c).

**1. Federal income taxes.**—Federal income taxes paid by the corporation are deductible as a business expense. See section 162.

**2. State and local taxes.**—State and local taxes paid by the corporation are deductible as a business expense. See section 162.

**3. Charitable contributions.**—Charitable contributions made by the corporation are deductible as a business expense. See section 170.

**4. Depreciation.**—Depreciation on property owned by the corporation is generally computed in the same manner as depreciation on property owned by a U.S. resident for tax purposes.

**5. Interest.**—Interest on a loan made by the corporation to a U.S. resident is treated as if it were interest on a loan made by a U.S. resident for tax purposes.

**6. Royalties.**—Royalties received by the corporation from a U.S. resident are treated as if they were royalties received by a U.S. resident for tax purposes.

**7. Dividends.**—Dividends received by the corporation from a U.S. corporation are treated as if they were dividends received by a U.S. resident for tax purposes.

**8. Charitable contributions.**—Charitable contributions made by the corporation to a U.S. charity are treated as if they were charitable contributions made by a U.S. resident for tax purposes.

**9. Depreciation.**—Depreciation on property owned by the corporation is generally computed in the same manner as depreciation on property owned by a U.S. resident for tax purposes.

**10. Interest.**—Interest on a loan made by the corporation to a U.S. resident is treated as if it were interest on a loan made by a U.S. resident for tax purposes.

**11. Royalties.**—Royalties received by the corporation from a U.S. resident are treated as if they were royalties received by a U.S. resident for tax purposes.

**Section I.—Income From Sources in the U.S. That is Effectively Connected with the U.S.**

Any gross income of this kind is taxed at 30% or lower treaty rate, except for gross transportation income, which is taxed at 4%. No deductions are allowed against this type of income.

Corporations organized in, or under the laws of, Guam, American Samoa, Northern Mariana Islands, or the Virgin Islands will not be treated as a foreign corporation if they meet the rules of section 881(b).

Interest that is not effectively connected with the U.S. includes only the following if the interest is not effectively connected:

- 1. Interest that is not effectively connected interest, dividends, rents, royalties, salaries, wages, premiums, annuities, pension payments, and other fixed or determinable periodic income. Certain portfolio interest is not taxable for obligations issued after July 18, 1984. See section 881(c) for more details.

2. For rules regarding payments received after September 15, 1984 on original issue discount obligations issued after March 31, 1972, withholding is imposed on the payments. See section 881(a)(3). For rules regarding income received on original issue discount obligations issued after April 1, 1972, withholding is required both on payments of stated interest as well as on payments of accrued interest. See section 881(a)(3) as it applies to a dividend by a foreign corporation.

3. Gains described in section 631(b) or (c) from disposal of timber, coal, or domestic iron ore. See section 881(b)(1).

4. Gains from the sale or exchange of patents, copyrights, and other intangible property. See section 881(b)(2).

**Gross Transportation Tax.**—A new tax is levied on foreign corporations that receive income from the sale, exchange, or lease of property that either begins or ends in the U.S. or from the leasing or renting of vessels or aircraft. The tax is imposed on income that is not effectively connected with the U.S. trade or business. One-half of the gross transportation income is considered U.S. source income. See section 881(b)(3).

Corporations subject to this tax should enter the amount of such gross transportation income in the first column of line 3 of section I, and enter the amount of tax in column 2 of line 3. In line 1 through 3, these corporations should attach a statement to Form 1120F showing the amount of tax as a reduction of gross income for each trip. Also attach to the statement a copy of the bill of lading or other documents required by section 887.

The gross transportation tax will not be imposed on effectively connected income. Whether the tax is effectively connected with the U.S. is determined by two tests:

- 1. The tax is imposed on income that is not effectively connected with the U.S. trade or business.
- 2. The tax is imposed on income that is not effectively connected with the U.S. trade or business.

Such taxes must be treated as part of the cost of the acquired property or, in the case of a distribution, as a reduction of the amount realized in the disposition.

If the corporation is a U.S. resident for tax purposes, see section 59A, see Form 4626 for computation of the environmental tax on the sale of property. See section 164(d) for apportionment of taxes on real property between seller and purchaser.

See section 906(b)(1) for rules concerning certain foreign taxes imposed on income from U.S. sources that may not be deducted or credited.

**18. Interest.**—See section 864(e) for the rules on interest deductions allowed to foreign corporations. Do not include interest on indebtedness incurred or continued after 1986 in which the interest is wholly exempt from income tax. For exceptions, see section 263.

**19. Dividends, building and loan associations, and cooperative banks.**—Do not deduct interest on deposits as dividends. See section 872 for information on the deductibility of foreign interest on debt incurred or continued in connection with an asset needed to produce the above property. See section 263A for definitions and more information.

Generally, a cash basis taxpayer cannot deduct interest allocable to years beginning after the current tax year. See section 848, Interest Expense.

**20. Contributions.**—Enter contributions or gifts actually paid within the year for the use of, charitable and governmental for the contributions described in section 170(c), and any unused contributions carried over to the next year. The total amount claimed may not exceed the total amount allowable. (1) any contributions to a U.S. charity; (2) any contributions to a U.S. charity; (3) any contributions to a U.S. charity; (4) any contributions to a U.S. charity; (5) any contributions to a U.S. charity.

First, the corporation must have a fixed place of business in the U.S., and second, substantially all of the U.S. sourced income must be attributable to regularly scheduled transactions (or the leasing of vessels and aircraft) attributable to a fixed place of business in the U.S.). For more information, see section 864(c).

**Section II.—Income Effectively Connected With the Conduct of a Trade or Business in the U.S.**

Foreign corporations engaged in a trade or business in the U.S. should report their corporate rates on all of the following income:

- 1. Income, gain, or loss from U.S. sources derived in the conduct of the trade or business.
- 2. Limited categories of foreign source income.
- 3. Certain fixed or determinable periodic income from U.S. sources.
- 4. Gain or loss from U.S. source from the sale or exchange of capital assets:

- The income, gain, or loss from assets used in, or held for use in, the conduct of the corporation's trade or business;
- The activities of the corporation's trade or business were a material factor in the realization of the income, gain, or loss.

For more information, see section 864(c). Gains on disposition of stock in an interest-free DISC and distributions from accumulated DISC income, including deemed distributions, are treated as coming from a trade or business conducted through a permanent establishment in the U.S.

A foreign corporation not engaged in a trade or business in the U.S. will not report income in Section II unless it:

- Elects to treat real property income as effectively connected with the U.S.;
- Was created or organized and is carrying on a banking business in the U.S. possession, and receives interest on U.S. obligations; in that case, interest is treated as effectively connected income; or
- Has gain or loss from disposition of real property in the U.S.

**Income.** (Numbered to correspond with the line numbers in Section II of the return.)

In line 1 through 3, enter gross income (regardless of source) that is effectively connected with the conduct of a trade or business conducted through a permanent establishment in the U.S.

**1. Gross receipts.**—Enter gross receipts or sales from all business operations except those that must be reported on line 1 through 10. For reporting average payments, see regulations section 1.451-3. The rules for gross receipts are changed by the Tax Reform Act of 1986. See section 450 for more information.

Changes have been made to the installment method. Effective for tax years beginning after 1986, the installment method no longer applies to sales of personal property under a revolving credit plan.

are authorized by the board of directors during the tax year. Attach the resolution to the return as filed by an officer, stating that the resolution authorizing the board of directors during the tax year. Also attach a copy of the resolution.

If a corporation is in property other than real property, the total claimed value of property cannot be more than \$500,000, and the total claimed value of property cannot be more than \$500,000. See section 864(c) for more information.

**2. Personal services corporations and personal service corporations.**—Enter gross receipts or sales from all business operations except those that must be reported on line 1 through 10. For reporting average payments, see regulations section 1.451-3. The rules for gross receipts are changed by the Tax Reform Act of 1986. See section 450 for more information.

Changes have been made to the installment method. Effective for tax years beginning after 1986, the installment method no longer applies to sales of personal property under a revolving credit plan.

are authorized by the board of directors during the tax year. Attach the resolution to the return as filed by an officer, stating that the resolution authorizing the board of directors during the tax year. Also attach a copy of the resolution.

If a corporation is in property other than real property, the total claimed value of property cannot be more than \$500,000, and the total claimed value of property cannot be more than \$500,000. See section 864(c) for more information.

**3. Personal services corporations and personal service corporations.**—Enter gross receipts or sales from all business operations except those that must be reported on line 1 through 10. For reporting average payments, see regulations section 1.451-3. The rules for gross receipts are changed by the Tax Reform Act of 1986. See section 450 for more information.

used by the installment method is limited by the proportionate disallowance rule of new section 453(c) for sales of real property by a dealer after February 28, 1986.

**Additional income** (in the case of sales of real property by dealers) or additional tax (in the case of sales of personal property by dealers) generated by the application of the proportionate disallowance rule is imposed into accounts or treated as if it were income.

Establish over a three-year period of the tax sections 811(c)(5) and 811(c)(7) of the Tax Reform Act of 1986 for more information. Dealers of personal property should also see the instructions for Form 1120F.

The proportionate disallowance rules do not apply to certain sales by manufacturers. A seller sales of real property may also elect to have the proportionate disallowance rules not apply in certain sales of lotteries and residential lots.

If the installment method is used, enter on line 1 the gross profit on collection from installment sales (real property dealers) or installment sales (personal property dealers) as modified by section 811(c)(5) of the Tax Reform Act of 1986 and carry this amount to line 3. Attach a schedule showing the three preceding tax years' gross profits, (b) cost of goods sold, (c) gross profits, (d) percentage of gross profits to gross sales, (e) amounts collected, and (f) gross profit on amounts collected.

Increase installment indebtedness required by section 453C.

After 1986, accrual basis corporations generally need not accrue income from the generally need not be collected from their experiences, will not be collected from section 448(g)(5). Corporations that fall under this provision should attach Form 3115 and a schedule showing total gross receipts, amount not accrued as a result of the application of section 448(g)(5), and the application of section 448(g)(5) to net amount accrued. The net amount should be entered on line 1a, Section II. For information and guidelines on the application of the installment method, see regulations section 1.448-21.

**2. Cost of goods sold.**—See instructions for Schedule A.

**4. Dividends.**—See instructions for Schedule C.

**5. Interest.**—Enter interest on U.S. obligations and loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. Do not offset interest expense against interest expense.

If the net long-term capital gain is more than the net short-term capital gain, or if there is only net long-term capital gain, compute the net long-term capital gain. If there is only net short-term capital gain, compute the net short-term capital gain. If there is a net long-term capital gain, it is 20% of the net long-term capital gain. If there is a net short-term capital gain, it is 30% of the net short-term capital gain.

**9. Net gain or (loss).**—Enter the net gain or (loss) from the sale of real property, U.S. and foreign, and the net gain or (loss) from the sale of personal property, U.S. and foreign, as reported on Form 678, Credit from Alcohol Used as Fuel; and refunds of taxes deducted in prior years that in the year reduced income subject to tax in the year deducted (see section 111). Do not offset current year net gain or (loss) against net gain or (loss) from other sources.

**10. Other income.**—Enter any other income that is not included in lines 1 through 9. Examples of other income would be: (1) interest on U.S. obligations and loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. (See instructions for line 5.) (2) interest on U.S. obligations and loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. (See instructions for line 5.) (3) interest on U.S. obligations and loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc. (See instructions for line 5.)

**11. Charitable contributions.**—Enter the amount of charitable contributions made by the corporation during the tax year. See section 170 for more information.

**12. Depreciation.**—Enter the amount of depreciation on property owned by the corporation during the tax year. See section 162 for more information.

**13. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**14. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**15. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**16. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**17. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

Section 263A does not apply to personal property acquired after 1986. It applies to real property acquired after 1986.

**1. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**2. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**3. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

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**6. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**7. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**8. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**9. Section 263A Uniform Capitalization Rules.**—Enter the amount of section 263A adjustments for the tax year. See section 263A for more information.

**4. Golden parachute payments.**—A portion of the payments made by a corporation to a key employee (actual or potential) who is terminated or whose employment may not be renewed may be deductible. This occurs if the employee (golden parachute) has an agreement with the corporation that provides for the payment of a specified amount if the employee is terminated or whose employment may not be renewed. See section 280G for more information.

**5. Business start-up expenses.**—Enter on line 5 the amount of business start-up expenses that are required to be capitalized unless an election is made to be deducted over a period of 60 months. See section 179 for more information.

**6. Debitals.**—Numbers correspond with line numbers in Section I.

**12. Compensation of officers.**—Enter on line 12 the total compensation of officers. Line 12 is the total compensation of officers. Line 12 is the total compensation of officers. Line 12 is the total compensation of officers.

**13. Salaries and wages.**—Enter on line 13 the total salaries and wages paid to employees. Line 13 is the total salaries and wages paid to employees. Line 13 is the total salaries and wages paid to employees.

**14. Repairs.**—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

**15. Bad debts.**—Enter the total bad debts that became worthless in whole or in part during the tax year.

**16. Reserve method of computing bad debts.**—Enter on line 16 the total bad debts that have been reported for tax years beginning after 1986 for all taxpayers. See section 166 for more information.

**17. Tax-exempt interest.**—Enter on line 17 the total tax-exempt interest received during the tax year. See section 109 for more information.

**18. Federal income taxes.**—Enter on line 18 the total federal income taxes paid by the corporation. See section 162 for more information.

**19. Dividends, building and loan associations, and cooperative banks.**—Do not deduct interest on deposits as dividends. See section 872 for information on the deductibility of foreign interest on debt incurred or continued in connection with an asset needed to produce the above property. See section 263A for definitions and



**Corporations with tax years beginning after June 30, 1987, should complete Schedule B only.**

**Schedule A Tax Computation for Period Before July 1, 1987.**

- 1 Taxable income (line 31, Section II, Form 1120F).
- 2 Net capital gain (if the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120). If the alternative tax does not apply, enter zero. See instructions.)
- 3 Subtract line 2 from line 1.
- 4 Enter the lesser of line 3 or \$25,000 (members of a controlled group, see instructions).
- 5 Subtract line 4 from line 3.
- 6 Enter the lesser of line 5 or \$25,000 (members of a controlled group, see instructions).
- 7 Subtract line 6 from line 5.
- 8 Enter the lesser of line 7 or \$25,000 (members of a controlled group, see instructions).
- 9 Subtract line 8 from line 7.
- 10 Enter the lesser of line 9 or \$25,000 (members of a controlled group, see instructions).
- 11 Subtract line 10 from line 9.
- 12 Multiply line 4 times 15%.
- 13 Multiply line 6 times 18%.
- 14 Multiply line 8 times 30%.
- 15 Multiply line 10 times 40%.
- 16 Multiply line 11 times 45%.
- 17 Additional tax: If line 3 is more than \$1,000,000, enter the lesser of (a) 5% of the excess of line 3 over \$1,000,000 or (b) \$20,250 (members of a controlled group, see instructions).
- 18 Tax liability before credits. Add amounts on lines 12 through 17.

**Schedule B Tax Computation for Period After June 30, 1987.**

- 19 Taxable income (line 31, Section II, Form 1120F).
- 20 Net capital gain (if the alternative tax applies, enter the net capital gain from line 10, Schedule D (Form 1120). If the alternative tax does not apply, enter zero. See instructions.)
- 21 Subtract line 20 from line 19.
- 22 Enter the smaller of line 21 or \$50,000 (members of a controlled group, see instructions).
- 23 Subtract line 22 from line 21.
- 24 Enter the smaller of line 23 or \$25,000 (members of a controlled group, see instructions).
- 25 Subtract line 24 from line 23.
- 26 Multiply line 22 by 15%.
- 27 Multiply line 24 by 25%.
- 28 Multiply line 25 by 34%.
- 29 Additional tax: If line 21 is more than \$100,000, enter the lesser of: (a) 5% of the excess of line 21 over \$100,000 or (b) \$11,750 (members of a controlled group, see instructions).
- 30 Add lines 26 through 29. (If only Schedule B was completed, skip lines 31 through 34. Enter the amount from line 30 on line 3, Schedule J.)
- 31 Enter amount from line 18, Schedule A.
- 32 Line 31 = Number of days in tax year before July 1, 1987.  
Number of days in tax year
- 33 Line 30 = Number of days in tax year after June 30, 1987.  
Number of days in tax year
- 34 Tax liability before credits. Add amounts on lines 32 and 33. Enter here and on line 3, Schedule J. If alternative tax applies, enter on line 12, Schedule D (Form 1120).

**Instructions for Schedules A and B, Tax Computation Worksheet**

Lines 2 and 20.—In general, the alternative tax is the sum of: (a) a tax computed on taxable income reduced by the net capital gain using the applicable tax brackets and tax rates, and (b) a tax of 34% of the net capital gain.

For tax years beginning after June 30, 1987, the alternative tax computation does not apply if a corporation's tax year begins before July 1, 1987, and the corporation has net capital gain. See instructions for Schedule J for rules regarding how controlled groups (as defined in section 1361) may choose these amounts.

**Line 17**  
If the total taxable income of the controlled group is more than \$1,000,000, each member of a controlled group should enter its portion of the additional tax on line 17. See the instructions for Schedule J for rules on allocating the additional tax among members of a controlled group.

**Line 29**  
If the total taxable income of the controlled group is more than \$100,000, each other member should enter its portion of the additional tax on line 29. See section 1361 for rules on allocating the additional tax among members of a controlled group.

**Codes for Principal Business Activity**

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Code (SIC), they should not be used as SIC codes. Using the list below, on page 5, under "M," enter the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1a, page 3) plus other income (lines 4 through 10, page 3). Also, on page 5, under "M," state the principal business activity and principal product or service that accounts for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

<b>Agriculture, Forestry, and Fishing</b>	<b>Code</b>	<b>Code</b>	<b>Code</b>
0100 Agricultural products	2915 Industrial chemical, plastic, and allied products	4000 Railroad transportation	8000 Mutual savings banks
0200 Agriculture, forestry, fishing, hunting, and trapping	2920 Drugs, cosmeceuticals, and toilet goods	4010 Air and water transportation	8100 Banks, building and loan associations, and savings and loan associations
0300 Lumber and wood products	2930 Chemical and allied products	4100 Electric, gas, and steam heating, air conditioning, and refrigeration	8200 Finance, insurance, and real estate
0400 Other wood products	2940 Petroleum refining and related products	4200 Telephone and telegraph	8300 Other financial institutions
0500 Other forest products	2950 Other petroleum and coal products	4300 Communication	8400 Other financial institutions
0600 Other forest products	2960 Rubber, plastics, and allied products	4400 Transportation and warehousing	8500 Other financial institutions
0700 Other forest products	2970 Leather and leather products	4500 Wholesale trade	8600 Other financial institutions
0800 Other forest products	2980 Textile mill products	4600 Retail trade	8700 Other financial institutions
0900 Other forest products	2990 Other textile mill products	4700 Eating and drinking places	8800 Other financial institutions
1000 Other forest products	3000 Other textile mill products	4800 Other retail trade	8900 Other financial institutions
1100 Other forest products	3100 Other textile mill products	4900 Other retail trade	9000 Other financial institutions
1200 Other forest products	3200 Other textile mill products	5000 Other retail trade	9100 Other financial institutions
1300 Other forest products	3300 Other textile mill products	5100 Other retail trade	9200 Other financial institutions
1400 Other forest products	3400 Other textile mill products	5200 Other retail trade	9300 Other financial institutions
1500 Other forest products	3500 Other textile mill products	5300 Other retail trade	9400 Other financial institutions
1600 Other forest products	3600 Other textile mill products	5400 Other retail trade	9500 Other financial institutions
1700 Other forest products	3700 Other textile mill products	5500 Other retail trade	9600 Other financial institutions
1800 Other forest products	3800 Other textile mill products	5600 Other retail trade	9700 Other financial institutions
1900 Other forest products	3900 Other textile mill products	5700 Other retail trade	9800 Other financial institutions
2000 Other forest products	4000 Other textile mill products	5800 Other retail trade	9900 Other financial institutions

**Form 1120-FSC U.S. Income Tax Return of a Foreign Sales Corporation**

OMB No. 1545-0035

For calendar year 1987 or other 12-month period beginning 1987 and ending 1987

Name: \_\_\_\_\_ EIN: \_\_\_\_\_

Address: \_\_\_\_\_

City or town, state, ZIP code or country: \_\_\_\_\_

1 Total tax from Schedule J, line 8

2 Payments

a Overpayment from 1986 allowed as a credit

b 1987 estimated tax payments

c Less refund of 1987 estimated tax applied for on Form 4466

d Tax deposited with Form 7000

e Federal tax on gasoline and special fuels (attach Form 4136)

f U.S. income tax paid or withheld at the source (attach Form 1042S)

3 Total—add lines 2c through 2f

4 Tax due—line 1 less line 3 (See General Instruction E.)

5 Overpayment—line 3 less line 1

6 Enter amount of line 5 you want

a Credited to 1988 tax year's estimated tax

b Refunded

7 Total tax due

8 Total tax paid

9 Total tax overpaid

10 Total tax underpaid

11 Total tax due

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14 Total tax underpaid

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Schedule B Taxable Income

PART I—Income Attributable to Foreign Trade Income

Form 1120-FSC (1987) Schedule B Taxable Income. Part I—Income Attributable to Foreign Trade Income. Includes sections for Type of Receipt, Total Foreign Trading Gross Receipts, and Total Taxable Income.

Schedule C Percentages (expressed as decimals to 5 places) To Be Used in Figuring Exempt Foreign Trade Income—Sections 923(a)(2) and (3) and 291(a)(4)

Note: If all shareholders are C corporations, enter 30000 on line 2a and 65217 on line 3a and skip all other lines. If all shareholders are other than C corporations, enter 32000 on line 2a and 69565 on line 3a and skip all other lines.

Schedule C Percentages (expressed as decimals to 5 places) To Be Used in Figuring Exempt Foreign Trade Income. Includes lines for Percentage (express as decimal to 5 places) of voting stock owned by shareholders that are C corporations, Exemption percentage for foreign trade income determined under administrative pricing rules, and Exemption percentage—Line 2b less line 2c.

Schedule F Nonexempt Foreign Trade Income (Excluded from section 923 and Nonforeign Trade Income)

Part I—Nonexempt Foreign Trade Income (excluded from section 923)

Schedule F Nonexempt Foreign Trade Income (Excluded from section 923 and Nonforeign Trade Income). Part I—Nonexempt Foreign Trade Income (excluded from section 923). Includes lines for Enter 50% of total receipts attributable to the sale, exchange, or other disposition of military property and related services, International boycott income, and Illegal bribes and other payments.

Part II—Nonforeign Trade Income

Schedule F Nonexempt Foreign Trade Income (Excluded from section 923 and Nonforeign Trade Income). Part II—Nonforeign Trade Income. Includes lines for Small FSCs, Interest income, Dividend income, Carrying charges, Royalties, Other investment income, Receipts excluded under section 924(f), Income from excluded property, Income from transactions that did not qualify as foreign trade income, and Other income.

Schedule G Deductions Allocated or Apportioned to Foreign Trade Income (See instructions for limitations on deductions before completing lines 1 through 14.)

Schedule G Deductions Allocated or Apportioned to Foreign Trade Income. Includes lines for Foreign direct costs, Advertising, Interest, Depreciation from Form 4562, Salaries and wages, Rents, Sales commissions, Warehousing, Freight, Compensation of officers, Rebates, Patron profit sharing, Employee benefit programs, and Other (list).

Schedule J Tax Computation (See Instructions.)

Schedule J Tax Computation (See Instructions). Includes lines for Check if you are a member of a controlled group, If line 1 is checked, see instructions, Foreign tax credit, Line 3 less line 4, Alternative minimum tax and environmental tax, Personal holding company tax, and Total tax.

Schedule M-1 Balance Sheets

Schedule M-1 Balance Sheets. Includes sections for ASSETS (Cash, Trade notes, Accounts receivable, etc.) and LIABILITIES AND STOCKHOLDERS' EQUITY (Accounts payable, Migs. notes, bonds payable, etc.).

Schedule M-2 Reconciliation of Income per Books With Income per Return

Schedule M-2 Reconciliation of Income per Books With Income per Return. Includes lines for Net income on books, Federal income tax, Excess of capital losses over capital gains, Income subject to tax not recorded on books, Expenses recorded on books, and Total of lines 1 through 5.



revaluing their inventory and to account for costs in subsequent years. Absent the revision of a simplified method, FSCs are required to allocate additional costs to be included in inventory under section 263A with the same degree of specificity as was required of inventoriable costs under prior law.

Line 1.—For tax years beginning after 1986, beginning inventory must be revalued as if the section 263A rules had been in effect for all prior periods. For inventory that when sold results in foreign trade income, enter the revalued beginning inventory on line 1 of Schedule A. For inventory that when sold results in nonexempt foreign trade income or nonforeign trade income, enter the revalued beginning inventory on the computation schedule for lines 5 and 8 of Schedule F.

In addition to the revaluation, an adjustment to income is required under section 481(a). The section 481 adjustment is taken into account over a period not to exceed 4 years. Also, since the application of section 263A is considered to be a change in accounting method, the FSC is required to complete Form 3115 to show the computation of the section 481(a) adjustment. Attach Form 3115 to Form 1120-FSC. Be sure to use the 1987 revision of Form 3115. See the regulations for more information on revaluing beginning inventory.

The section 481(a) income adjustment relating to Schedule A is entered in column (a) and (b), between lines 5 and 6, of Schedule B. Also write the rest of the column (a) amount "481(263A) income" Allocate the section 481(a) income to columns (a) and (b) of Schedule B in the same way as the beginning inventory was allocated to columns (a) and (b) of Schedule A. Enter the section 481(a) income adjustment to beginning inventory for the computation of the cost of goods sold on line 5 of Schedule F in the total for line 4, column (a) and (b), of Schedule F. Write to the left of column (a) of line 4 "481(263A) income" and the amounts of the 481(a) income adjustment to columns (a) and (b) of Schedule F. Enter the section 481(a) income attributable to beginning inventory for the computation of the cost of goods sold on line 18 of Schedule F in line 16 of Schedule F. Write to the left of line 16 amount "481(263A) income" and the amount of the 481(a) income.

Line 4.—An entry is required on this line only for FSCs electing a simplified method of accounting. In the case of FSCs electing the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized or included in inventoriable costs under the corporation's method of accounting immediately prior to the effective date in Regulations under section 1.263A-11 but that are now required to be capitalized under section 263A. In the case of taxpayers electing the simplified resale method, additional section 263A costs are generally those costs that are added to the following categories of sale or storage or warehousing, purchasing, handling, processing, assembly, and repackaging, and general administrative costs (mixed service costs). Enter on line 4 the amount of section 263A costs paid or incurred during

the tax year that were not included on lines 2 and 3. See Regulations section 1.263A-11 for more information.

Line 4b.—Enter on line 4b any costs paid or incurred during the tax year not entered on lines 2 through 4.

Line 5.—See Regulations section 1.263A-11 for more information on figuring the amount of additional section 263A costs to be capitalized and added to ending inventory.

Note: The instructions for lines 1, 4a, 4b, and 5 also apply to the computation of the cost of goods sold for purposes of lines 5 and 8 of Schedule F.

Line 5a. Valuation methods.—Inventories can be valued at: (a) cost, (b) cost or market value, whichever is lower, or (c) any other method approved by the Commissioner of Internal Revenue, that conforms to the applicable regulations cited below.

Taxpayers using erroneous valuation methods should file Form 3115 to change to a method permitted for Federal income tax purposes. For further details, see regulations section 1.446-1(e)(3) and Rev. Rul. 84-74, 1984-2 CB 738.

In line 5a, check the method(s) used for valuing inventories. Under lower of cost or market, market generally applies to normal market conditions when a current bid price prevails at the date the inventory is valued. When no regular open market exists or when conditions are normal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more information, see regulations section 1.471-4.

Inventories may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, spoil, wear, etc.) within the meaning of regulations section 1.471-2(c). Such goods are valued at a current bid price, selling price, less direct costs of disposition (but not less than scrap value) at such price as can be established. See regulations section 1.471-2(c) for more requirements.

Line 5b.—Enter the "last in, first out" (LIFO) inventory method was either adopted or extended to inventory goods not included in the LIFO inventory method provided in section 472. Attach Form 970, Application to Use LIFO Inventory Method, in addition to the information required by Form 970. Also check the LIFO basis in line 5b. Enter the amount of percent of total closing inventory covered under section 472 in line 5c. Estimates are acceptable.

If the corporation changed or extended its inventory method to LIFO and had to "write down" the inventory, you must file Form 970, Report the effect of this write-up as income (as appropriate in Schedule F, line 16) in the year of the write-up, the period that begins in the tax year the election was first made. See section 472(b).

Schedule 3.—Taxable Income Schedule B provides for the computation of taxable income from all sources

### Changes for Tax Years Beginning After 1986

a. The installment method no longer applies for any sale of personal property used in a trade or business.

b. The use of the installment method is limited by the proportional disallowance rules of section 453 for sales of personal property by a dealer after February 28, 1986. The tax is taken into account or treated as imposed ratably over a period of 3 years. The additional tax is included in the tax entered on line 3 of Schedule B of Form 1120-FSC. See section 811(c)(7) of the Tax Reform Act of 1986, and the instructions for line 3 of Schedule B of Form 1120-FSC. This rule may be applicable to both Schedule B and Schedule F income.

c. Passive activity limitations may apply to FSCs that are closely held corporations. See instructions for line 20 of Schedule B.

Part I provides for the computation of income attributable to foreign trade income and expenses on lines 1 through 15 of Schedule B. Attach a schedule showing the method of pricing (administrative or nonadministrative) used in the transaction that produced the income.

Report in column (a) all foreign trade income from all transactions in which the administrative pricing rules were not used. This income may, or may not be effectively connected with the U.S. trade or business. Attach a schedule showing the computation of the taxable amount. (Only the taxable portion is included in line 15 of Schedule B.) Such income would be effectively connected and taxable more often for a small FSC, as discussed in page 2 of this business in the U.S.

Line 11 through 15.—Enter foreign trading gross receipts in column (a) or (b) based on the sale, lease, or rental of property which is sold, leased, or rented outside the U.S. or that are related to and outside the U.S., or that are related to and outside the U.S., or that are related to and outside the U.S. (See instructions under AND 4.)

2. At least 50% of the FSC's gross receipts for the year must be derived from the sale, exchange, or other disposition of property, the rental or lease of property outside the U.S. and services that are related to and outside the U.S. (See instructions under section 927(b)).

For example, if receipts reported on lines 11 through 15 are \$100,000, then the total of gross receipts for the year, managerial services would not qualify as foreign trading gross receipts for the year. In this case, these receipts would be reported on line 16 of Schedule F.

Line 16.—Enter on line 16 the determination of net foreign trading gross receipts for the small FSC. See General Instructions for Form 1120-FSC before completing this part.

Line 16f.—Commission income is reported on line 16 of Schedule B for purposes of line 6f as figured as follows:

- Enter total of column (a) and (b) on line 16 of Schedule B.
- Enter total commission income reported on line 1 or 2, Schedule B.
- Line 1 less line 2.
- For the commission reported on line 2 above, enter total gross receipts for the sale, lease, or rental of property on which the commissions arose (Section 927(b)(3)).
- Add lines 3 and 4. Enter on line 6f, Schedule B.

Line 16g.—When making the line 6f allocation, only allocate the commission income attributable to the gross receipts on line 4 above. If the foreign trading gross receipts of the FSC exceed the line 6f, Schedule B, limitation, the FSC may select gross receipts to which the limitation is allocated. See regulations section 1.921-2(b).

Line 16h.—Enter the deduction for cost of goods sold for line 7, Schedule A, exempt from the exclusion of foreign trade income percentages on lines 9a and 9b.

Line 16i.—Enter deductions from Schedule G that are attributable to nonexempt foreign trade income.

Part II is a summary of taxable foreign trade income and taxable income for line 15, column (b). See instruction for Part II, column (b) above, regarding taxable income for gross receipts. Attach a schedule showing the computation of the taxable amount.

Line 19a. Net operating loss (NOL) deduction is the amount of the NOL carryovers carried over from the prior year. Generally, a FSC may carry a NOL back to each of the 3 tax years immediately preceding the loss and carry it over to each of the 15 tax years following the year of the loss. See section 172 and related regulations for special rules, limitations, and definitions pertaining to NOL carryback and carryover.

Publication 536, Net Operating Losses, for more information.

Line 19b. Special Deductions.—A FSC that is entitled to a NOL deduction received for dividends, it receives from the FSC and the taxpayer of the corporation similar to that on page 6 to determine the total amount of dividends to be reported on line 19b of Schedule F. See instructions for line 19b of Schedule F for more information. Dealers in the sale of personal property that produces Schedule F

gross receipts for the year. In this case, these receipts would be reported on line 16 of Schedule F.

Line 16a through 16h.—Determination of net foreign trading gross receipts for the small FSC. See General Instructions for Form 1120-FSC before completing this part.

Line 16f.—Commission income is reported on line 16 of Schedule B for purposes of line 6f as figured as follows:

- Enter total of column (a) and (b) on line 16 of Schedule B.
- Enter total commission income reported on line 1 or 2, Schedule B.
- Line 1 less line 2.
- For the commission reported on line 2 above, enter total gross receipts for the sale, lease, or rental of property on which the commissions arose (Section 927(b)(3)).
- Add lines 3 and 4. Enter on line 6f, Schedule B.

Line 16g.—When making the line 6f allocation, only allocate the commission income attributable to the gross receipts on line 4 above. If the foreign trading gross receipts of the FSC exceed the line 6f, Schedule B, limitation, the FSC may select gross receipts to which the limitation is allocated. See regulations section 1.921-2(b).

Line 16h.—Enter the deduction for cost of goods sold for line 7, Schedule A, exempt from the exclusion of foreign trade income percentages on lines 9a and 9b.

Line 16i.—Enter deductions from Schedule G that are attributable to nonexempt foreign trade income.

Line 20. Taxable income (loss).—If the FSC is a closely held corporation and has a section 453(a) passive activity loss or credit, section 469 limitations apply to the FSC for tax years beginning after 1986. The FSC's loss or credit for the year would be attributable to FSC operations that generate nonforeign trade income or loss. If the FSC has passive activity loss or credit for 1987, the loss is limited in figuring line 20 taxable income or loss, and the passive activity credit carried on Schedule J of Form 1120-FSC is limited.

For information on passive activity limitations, see Publication 939, Passive Activity and At-Risk Rules; Form 8582, Passive Activity Loss Limitations; Form 8582-CR, Passive Activity Credit Limitations; and section 469. If the FSC has a loss or credit, attach a copy of Form 8582 or Form 8582-CR, as applicable, to determine the limitations. Attach the forms to Form 1120-FSC. Note: The instructions for line 20 of page 7, Form 1120-FSC, Corporation Income Return, give a brief explanation of how Form 8582 is completed by the closely held U.S. corporation.

Schedule E.—Percentages To Be Used in Figuring Exempt Trade Income, etc.

Schedule E is used to figure the exemption percentages as well as deductions attributable to exempt foreign trade income (Schedule G, line 17). For more information, see instructions for Schedule G, line 17.

C. Corporation means a corporation other than a C corporation, shareholders other than C corporation are individuals, partnerships, S corporations, trusts, and estates.

Use lines 2a through 2f to figure the exemption percentages for foreign trade income that was determined without regard to the administrative pricing rules of section 923(a)(3).

Use lines 3a through 3f to figure the exemption percentage for foreign trade income that was determined with regard to the administrative pricing rules of section 923(a)(3).

Schedule F.—Nontaxable Foreign Trade Income and Nonforeign Trade Income

Changes for Tax Years Beginning After 1986

- Before completing Schedule F, see Instructions for Tax Years Beginning After 1986 in the instructions for Schedules B and G for changes that also affect Schedule F.
- The use of the installment method is limited by the proportional disallowance rules of section 453 for sales of personal property by a dealer after February 28, 1986. The tax is taken into account or treated as imposed ratably over a period of 3 years. The additional tax is included in the tax entered on line 3 of Schedule B of Form 1120-FSC. See section 811(c)(7) of the Tax Reform Act of 1986, and the instructions for line 3 of Schedule B of Form 1120-FSC. This rule may be applicable to both Schedule B and Schedule F income.

Line 1.—Enter dividends that are received from foreign corporations and that qualify for the deduction provided in section 245(a). Also enter dividends received from other FSCs that are attributable to qualified interest and carrying charges and that qualify for the deduction provided in section 245(c)(1)(B).

Line 6.—Enter all other dividends received from foreign corporations that do not qualify for a dividends received deduction.

Line 7.—If the FSC claims the foreign tax credit, the tax that is paid under section 902(a) (relating to credit for a corporate stockholder in a foreign corporation) must be listed at a dividend received from the foreign corporation. (See section 905(b)(4)).

Line 8.—Include dividends (other than capital gains dividends and exempt interest dividends) received from regulated investment companies that do not qualify for the dividend received deduction; dividends from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualified under sections 856-860; dividends not eligible for a dividends received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock; and any other taxable dividend income not properly reported above (including distributions under section 936(b)(4)).

Line 1, Column (a) and (c).—The dividends received deduction percentage for dividends received after December 31, 1986, is 80%. Multiply the dividends received by 80% to determine the dividends received deduction.

Line 4, Column (b) and (c).—The dividends received deduction percentage for dividends received from foreign corporations entitled to the dividends received deduction under section 245(c)(1)(B) for tax years beginning after December 31, 1986, is at least a 10% interest in the foreign corporation.

Column (c) Instructions.—In general, no dividends received deduction will be allowed on any share of stock (a) if the corporation held the stock 45 days or less (see section 245(c)(1)(A)(ii)) or (b) if the entire corporation is under an obligation

to make corresponding payments with respect to substantially identical stock or securities.

Line 5. Limitation on dividends received deduction.—The dividends received deduction in line 5 may not be more than 80% of line 18, Schedule B. For the purpose of this limitation, the 80% limit does not apply even if the loss is created by the dividends received deduction. (See sections 172(b) and 246(b)).

Line 18.—Enter on line 18 of Schedule F the dividends received deduction percentage for the year. If the FSC is a corporation, the dividends received deduction percentage for the year is 80%. If the FSC is an individual, the dividends received deduction percentage for the year is 70%. Make a separate computation for any cost of goods sold deduction included in the line 18 amount. Attach the computation to Form 1120-FSC.

Schedule G.—Deductions Relating to Foreign Trade Income

Changes for Tax Years Beginning After 1986

a. Section 263A Uniform Capitalization Rules.—Many items that were deductible under prior law must now be included in inventory under the new uniform capitalization rules of section 263A. The new rules require FSCs to capitalize or include in inventory certain costs incurred in connection with the production of real and personal tangible property held in inventory for sale in the ordinary course of business. Tangible personal property produced by a taxpayer includes a film, sound recording, video tape, book, or similar property. The rules also apply to personal property (angible Schedule B) acquired for resale.

Taxpayers subject to the rules are required to allocate their direct costs but not indirect costs (including taxes) that benefit the assets produced to the cost of the inventory. Indirect expense paid or incurred in the course of production must be capitalized and is

to make corresponding payments with respect to substantially identical stock or securities.

Line 5. Limitation on dividends received deduction.—The dividends received deduction in line 5 may not be more than 80% of line 18, Schedule B. For the purpose of this limitation, the 80% limit does not apply even if the loss is created by the dividends received deduction. (See sections 172(b) and 246(b)).

Line 18.—Enter on line 18 of Schedule F the dividends received deduction percentage for the year. If the FSC is a corporation, the dividends received deduction percentage for the year is 80%. If the FSC is an individual, the dividends received deduction percentage for the year is 70%. Make a separate computation for any cost of goods sold deduction included in the line 18 amount. Attach the computation to Form 1120-FSC.

Schedule G.—Deductions Relating to Foreign Trade Income

Changes for Tax Years Beginning After 1986

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Line 18.—Enter on line 18 of Schedule F the dividends received deduction percentage for the year. If the FSC is a corporation, the dividends received deduction percentage for the year is 80%. If the FSC is an individual, the dividends received deduction percentage for the year is 70%. Make a separate computation for any cost of goods sold deduction included in the line 18 amount. Attach the computation to Form 1120-FSC.

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Schedule G.—Deductions Relating to Foreign Trade Income

Changes for Tax Years Beginning After 1986

a. Section 263A Uniform Capitalization Rules.—Many items that were deductible under prior law must now be included in inventory under the new uniform capitalization rules of section 263A. The new rules require FSCs to capitalize or include in inventory certain costs incurred in connection with the production of real and personal tangible property held in inventory for sale in the ordinary course of business. Tangible personal property produced by a taxpayer includes a film, sound recording, video tape, book, or similar property. The rules also apply to personal property (angible Schedule B) acquired for resale.

Taxpayers subject to the rules are required to allocate their direct costs but not indirect costs (including taxes) that benefit the assets produced to the cost of the inventory. Indirect expense paid or incurred in the course of production must be capitalized and is

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Line 18.—Enter on line 18 of Schedule F the dividends received deduction percentage for the year. If the FSC is a corporation, the dividends received deduction percentage for the year is 80%. If the FSC is an individual, the dividends received deduction percentage for the year is 70%. Make a separate computation for any cost of goods sold deduction included in the line 18 amount. Attach the computation to Form 1120-FSC.

**Line 4. Foreign tax credit.**—Generally, neither a FSC nor its shareholders may claim a foreign tax credit. The FSC may, however, claim a foreign tax credit for any foreign taxes imposed on foreign source nonpassive trade income that is effectively connected with a U.S. trade or business. This income is subject to a separate limitation when computing the foreign tax credit.

A shareholder of a FSC may be entitled to a foreign tax credit on certain distributions from a FSC. These distributions are from foreign-sourced foreign trade income that was determined without using administrative pricing. See Regulations section 1.921-3(f).

**Line 6. Alternative minimum tax (and environmental tax).**—Attach Form 4626, Alternative Minimum Tax—Corporations, if the taxable income plus adjustments and the tax preference items of the FSC exceeds \$40,000. See Form 4626 for more information. Attach Form 4626 to Form 1120-FSC.

Also, if the FSC is liable for the section 59A environmental tax figured on Form 4626, enter this tax on line 5. Write to the left of line 6 "Sec. 59A tax" and the amount of the tax. See Form 4626 for more information. Attach Form 4626 to Form 1120-FSC.

**Line 7. Personal holding company tax.**—If the FSC is a personal holding company described in section 542 but not a foreign personal holding company described in section 552, it may be liable for the personal holding company tax. Use Schedule PH (Form 1120), Computation of U.S. Personal Holding Company Tax, to figure this tax. Enter the tax on line 7 and attach Schedule PH (Form 1120) to Form 1120-FSC.

**Schedule P (Form 1120-FSC).**—Complete and attach a separate Schedule P (Form 1120-FSC) for each transaction or group of transactions to which you apply the transfer pricing rules of section 525. See Schedule P (Form 1120-FSC) for details on completing the schedule.

**Schedules A and B—Tax Computation Worksheet**

Effective July 1, 1987, the tax rates for corporations were reduced. The new rates of tax are:

- 15% on the first \$50,000 of income;
  - 25% on the next \$25,000 of income; and
  - 34% on any amount over \$75,000.
- Also, an additional tax of 5% is applied against income in excess of \$100,000. The maximum amount of this additional tax is \$11,750.

Corporations with tax years beginning after June 30, 1987, should complete Schedule B (below) only.

**Schedule A Tax Computed for Period Before July 1, 1987**

- 1 Taxable income (line 20, Schedule B, page 3, Form 1120-FSC)
- 2 Net capital gain (if the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120), if the alternative tax does not apply, enter zero. See instructions.)
- 3 Subtract line 2 from line 1.
- 4 Enter the lesser of line 3 or \$25,000 (members of a controlled group, see instructions)
- 5 Subtract line 4 from line 3.
- 6 Enter the lesser of line 5 or \$25,000 (members of a controlled group, see instructions)
- 7 Subtract line 6 from line 5.
- 8 Enter the lesser of line 7 or \$25,000 (members of a controlled group, see instructions)
- 9 Subtract line 8 from line 7.
- 10 Enter the lesser of line 9 or \$25,000 (members of a controlled group, see instructions)
- 11 Subtract line 10 from line 9.
- 12 Multiply line 4 times 15%.
- 13 Multiply line 6 times 18%.
- 14 Multiply line 8 times 25%.
- 15 Multiply line 10 times 40%.
- 16 Multiply line 11 times 46%.
- 17 If line 3 is more than \$1,000,000, enter the lesser of: (a) 5% of the excess of line 3 over \$1,000,000 or (b) \$20,250 (members of a controlled group, see instructions).
- 18 Add amounts on lines 12 through 17.

**Schedule B Tax Computed for Period After June 30, 1987**

- 19 Enter amount from line 3, Schedule A, above
- 20 Net capital gain (if the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120) if the alternative tax does not apply, enter zero. See instructions.)
- 21 Subtract line 20 from line 19.
- 22 Enter the lesser of line 21 or \$50,000 (members of a controlled group, see instructions)
- 23 Subtract line 22 from line 21.
- 24 Enter the lesser of line 23 or \$25,000 (members of a controlled group, see instructions)
- 25 Subtract line 24 from line 23.
- 26 Multiply line 22 times 15%.
- 27 Multiply line 24 times 25%.
- 28 Multiply line 25 times 34%.
- 29 Additional tax. If line 21 is more than \$100,000, enter the lesser of: (a) 5% of the excess of line 21 over \$100,000 or (b) \$11,750 (members of a controlled group, see instructions)
- 30 Add lines 26 through 29 (if only Schedule B was completed, skip lines 31 through 34. Enter the amount from line 30 on line 3, Schedule J, Form 1120-FSC.)
- 31 Enter amount from line 18, Schedule A, above
- 32 Line 31 x  $\frac{\text{number of days in tax year before 7-1-87}}{\text{number of days in tax year}}$
- 33 Line 30 x  $\frac{\text{number of days in tax year after 6-30-87}}{\text{number of days in tax year}}$
- 34 Tax liability before credits. Add amounts on lines 32 and 33. Enter here and on line 3, Schedule J, Form 1120-FSC, if the alternative tax applies, enter on line 12, Schedule D (Form 1120).

**Codes for Principal Business Activity**

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Codes (SIC), they should not be used as SIC codes.

Using the list below, enter on page 1, under D, the code number for the specific industry group to which the taxpayer's principal business activity is derived. "Total receipts" means the total of receipts on line 6a, Schedule B, and lines 4 and 17 of Schedule J.

On page 2, under O, state the principal business activity and general product or service that accounts for the largest percentage of total receipts. For example, if the principal business activity is "Wholesale trade: Machinery, equipment, and supplies," the principal product or service may be "Engines and turbines."

Code	Description	Code	Description	Code	Description
0000	All other industries	2815	Industrial chemicals, services of, and instruments	4000	Trucking, express, and messenger
0000	All other industries	2820	Drugs	4000	Trucking, express, and messenger
0000	All other industries	2830	Chemicals and allied products	4000	Trucking, express, and messenger
0000	All other industries	2840	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2850	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2860	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2870	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2880	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2890	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2900	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2910	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2920	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2930	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2940	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2950	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2960	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2970	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2980	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	2990	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3000	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3010	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3020	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3030	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3040	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3050	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3060	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3070	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3080	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3090	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3100	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3110	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3120	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3130	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3140	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3150	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3160	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3170	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3180	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3190	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3200	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3210	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3220	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3230	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3240	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3250	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3260	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3270	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3280	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3290	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3300	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3310	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3320	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3330	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3340	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3350	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3360	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3370	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3380	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3390	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3400	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3410	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3420	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3430	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3440	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3450	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3460	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3470	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3480	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3490	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3500	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3510	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3520	Chemical and allied products	4000	Trucking, express, and messenger
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0000	All other industries	3540	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3550	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3560	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3570	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3580	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3590	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3600	Chemical and allied products	4000	Trucking, express, and messenger
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0000	All other industries	3680	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3690	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3700	Chemical and allied products	4000	Trucking, express, and messenger
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0000	All other industries	3720	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3730	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3740	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3750	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3760	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3770	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3780	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3790	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3800	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3810	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3820	Chemical and allied products	4000	Trucking, express, and messenger
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0000	All other industries	3870	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3880	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3890	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3900	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3910	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3920	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3930	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3940	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3950	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3960	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3970	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3980	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	3990	Chemical and allied products	4000	Trucking, express, and messenger
0000	All other industries	4000	Chemical and allied products	4000	Trucking, express, and messenger

1120-IC-DISC Interest Charge Domestic International Sales Corporation Return

OMB No. 1545-0028 1987

Form 1120-IC-DISC (1987) header section including name, address, and identification number.

Section F(1) with table for listing other corporations, including columns for name, address, and assets.

Section G(1) and G(2) for intercompany pricing rules and Section 994(b)(2) application.

Taxable Income table with 7 rows and 2 columns for amounts and percentages.

Signature area for officer and preparer, including dates and titles.

SCHEDULE A - Cost of Goods Sold and/or Operations

Schedule A table with 7 rows for inventory and cost of goods sold calculations.

SCHEDULE B - Gross Income

Schedule B table with 11 rows and 4 columns for various types of receipts and income.

SCHEDULE C - Dividends and Special Deductions

Schedule C table with 13 rows for listing dividends and special deductions.

SCHEDULE E - Deductions

Schedule E table with 23 rows for listing various deductions such as promotion expenses and interest.

SCHEDULE J - Deemed and Actual Distributions to Shareholders

Schedule J table with 24 rows for calculating deemed and actual distributions to shareholders.

Form 1120-IC-DISC (1987) Page 5

**SCHEDULE N.—Export Gross Receipts of the IC-DISC and Related U.S. Persons** (See page 9 of instructions.)

1 Enter product code and percentage of total export gross receipts for the a largest and b 2nd largest product or service sold or provided by the IC-DISC. % Code Percentage of total

2 Export gross receipts for 1987

(a) Export gross receipts of the IC-DISC (b) Related IC-DISCs (c) All other related U.S. persons

3 If item 2(b) or 2(c) is completed, complete the following (if more space is needed, attach a schedule using the format as shown below)

Related U.S. Persons, Except IC-DISCs, in Your Controlled Group

Name	Address	Identifying number
IC-DISCs in Your Controlled Group		
Name	Address	Identifying number

**Additional Information**

H Did you claim a deduction for expenses connected with:

(1) Entertainment (boat, resort, ranch, etc.)?

(2) Living accommodations (except employees on business)?

(3) Employees attending conventions or meetings outside the North American area? (See section 274(h).)

(4) Employees' families at conventions or meetings?

(5) Employees or family vacations not reported on Form W-2?

I Refers to page 11 of the instructions and state the name of the business activity.

J Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," you may have Form 5471 for each corporation.

K (1) Did 95% or more of your gross receipts for the tax year consist of qualified export receipts (defined in section 993(a)(3))?

(2) Did the adjusted basis of your qualified export assets (as defined in section 993(b)) at the end of the tax year equal or exceed 95% of the sum of the adjusted basis of all your assets at the end of the tax year?

(3) If the answer to K(1) or (2) is "No," did you make a pro rata distribution of property as defined in section 992(c)?

L Did you have more than one class of stock at any time during the tax year?

M Was the par or stated value of your stock at least \$2,500 on each day of the tax year (for a new corporation, on the last day for making an election and for each later day)?

N Did you have your own bank account?

O Did you keep separate books and records?

P At any time during the tax year, did you have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instructions for exceptions and filing requirements for Form TD F 9022.1.)

Q Were you the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have Forms 3520, 3520-A, or 925.

R During this tax year did the corporation maintain any part of its accounting records on a computerized system?

S (1) Do you or any member of your controlled group (as defined in section 993(a)(3)) have operations in or related to any country (or with the government, a company, or a national of that country) associated with carrying out the boycott of Israel that is on the list kept by the Secretary of the Treasury under section 993(a)(3)?

(2) Do you or any member of the controlled group of which you are a member have operations in any unlisted country that you know or have reason to know requires participation in or cooperation with an international boycott against Israel?

(3) Do you or any member of the controlled group of which you are a member have operations in any country that you know or have reason to know requires participation in or cooperation with an international boycott other than the boycott of Israel?

T Enter the amount of tax exempt interest income received or accrued during the tax year.

Form 1120-IC-DISC (1987) Page 6

**SCHEDULE L.—Balance Sheets** (All beginning of the tax year (b) End of the tax year)

1 Qualified assets:

a Working capital (cash and necessary temporary investments)

b Funds awaiting investment (cash in U.S. banks in excess of working capital needs to acquire other qualified export assets)

c Export-Import Bank obligations

d Trade receivables (accounts and notes receivable)

(f) Subtract allowance for bad debts

e Export property (net) (including inventory and qualified property held for lease)

f Producer's loans

g Investment in related foreign export corporations

h Depreciable assets

(j) Subtract accumulated depreciation

i Other (attach schedule)

2 Nonqualified assets (net) (list)

3 Total assets

4 Accounts payable

5 Other current liabilities (attach schedule)

6 Mortgages, notes, bonds payable in 1 year or more

7 Other liabilities (attach schedule)

8 Capital stock

9 Paid-in or capital surplus

10 Other earnings and profits

11 Previously taxed income (section 996)(2)

12 Accumulated pre-1985 DISC income (see instructions)

13 Accumulated IC-DISC income (see instructions)

14 Subtract cost of treasury stock

15 Total liabilities and stockholders' equity

**SCHEDULE M-1.—Reconciliation of Income per Books With Income per Return**

1 Net income on books

2 Excess of capital losses over capital gains

3 Capital losses not recorded on books this year (itemize)

4 Expenses recorded on books this year and not deducted in this return (itemize)

5 Add lines 1, 2, and 3

6 Income recorded on books this year and not included in this return (itemize)

7 Deductions in this return not charged against book income (this year) (itemize)

8 Other decreases (itemize)

9 Income (line 7, page 1) (line 5 less line 8)

**SCHEDULE M-2.—Analysis of Other Earnings and Profits (Line 10 above)**

1 Balance at the beginning of the year

2 Increases (itemize)

3 Add lines 1 and 2

4 Deficit in earnings and profits

5 Distributions to qualify under section 992(c)

6 Other decreases (itemize)

7 Balance at end of year (line 3 less line 7)

**SCHEDULE M-3.—Analysis of Previously Taxed Income (Line 11 above)**

1 Balance at the beginning of the year

2 Deemed distributions under section 995(b)

3 Other increases (itemize)

4 Add lines 1, 2, and 3

5 Deficit in earnings and profits

6 Distributions to qualify under section 992(c)

7 Other decreases (itemize)

8 Add lines 5, 6, and 7

9 Balance at end of year (line 4 less line 8)

**SCHEDULE M-4.—Analysis of Accumulated IC-DISC Income (Line 13 above)**

1 Balance at the beginning of the year

2 Increases (itemize)

3 Add lines 1 and 2

4 Deficit in earnings and profits

5 Redemptions under section 996(d)

6 Distributions to qualify under section 992(c)

7 Distributions upon liquidation (see 995(a)(2))

8 Other decreases (itemize)

9 Add lines 4 through 8

10 Balance at end of year (line 3 less line 9)

U.S. GOVERNMENT PRINTING OFFICE: 1987-183-1973

1987 Department of the Treasury Internal Revenue Service

**Instructions for Form 1120-IC-DISC**

**Interest Charge Domestic International Sales Corporation Return**

(Section references are to the Internal Revenue Code unless otherwise noted.)

**Paperwork Reduction Act Notice**

We ask for this information to carry out the Internal Revenue laws of the United States. We need to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**Voluntary Contributions To Reduce the Public Debt**

Quite often, incomes are received above the voluntary contributions to reduce the public debt may be made. A domestic international sales corporation may contribute by enclosing a separate check payable to "Bureau of the Public Debt," with Form 1120-IC-DISC. These amounts are tax deductible, subject to the rules and limitations for charitable contributions.

**Changes You Should Note Tax Reform Act of 1986 Act**

The Act made many changes to the Internal Revenue Code that affect the IC-DISC and its shareholders. Many of these changes are contained in the instructions. For information on other changes, see Publication 921, "Expatriation and the Tax Reform Act of 1986 for Business."

**General Instructions**

**A. Purpose of Form**

Form 1120-IC-DISC is an information return filed by interest charge domestic international sales corporations (IC-DISCs), former DISCs, and former IC-DISCs.

**B. What is an IC-DISC**

An IC-DISC is a domestic corporation that has elected to be an IC-DISC and its election is still in effect. The IC-DISC election is made by filing Form 4876-A, Section B, to be treated as an interest charge DISC.

Generally, an IC-DISC is not taxed on its income. Shareholders of an IC-DISC are taxed on its income when the income is actually or deemed distributed. In addition, section 995(f) imposes an interest charge on shareholders for their share of DISC-related deferred tax liability. See Form 1040-C, "Computation of Interest Charge on DISC-Related Deferred Tax Liability," for details.

To be an IC-DISC, a corporation must be organized under the laws of a state or the District of Columbia and meet the following tests:

2. When To File.—File Form 1120-IC-DISC by the 15th day of the 9th month after the tax year ends. No extensions are allowed for late filing.

Period covered.—File the 1987 return for calendar year 1987 and fiscal years that began in 1987. If the return is for a fiscal year, fill in the tax year space at the top of the form.

Amended return.—To correct any error on a Form 1120-IC-DISC already filed, file an amended Form 1120-IC-DISC and write "Amended" across the top.

Change in tax year.—To change your tax year, file Form 1128, Application for Change in Accounting Period.

Final return.—If the corporation ceased to exist during 1988, write "Final return" across the top of the form.

3. Where To File.—

If the main business office or principal place of business is located in:

New Jersey, the District of Columbia, Rhode Island, Vermont, New Hampshire, Maine, Massachusetts, New York, New Jersey, New Mexico, Nevada, North Carolina, North Dakota, South Dakota, Wisconsin, Illinois, Indiana, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Virginia, West Virginia, Wyoming, Alaska, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming, Alaska, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, Wyoming	Use the following Internal Revenue Service Center address:
Atlanta, GA 30303	Atlanta, GA 30303
Boston, MA 02101	Boston, MA 02101
Chicago, IL 60605	Chicago, IL 60605
Dallas, TX 75201	Dallas, TX 75201
Denver, CO 80202	Denver, CO 80202
Detroit, MI 48226	Detroit, MI 48226
Houston, TX 77001	Houston, TX 77001
Los Angeles, CA 90008	Los Angeles, CA 90008
Memphis, TN 38103	Memphis, TN 38103
Minneapolis, MN 55409	Minneapolis, MN 55409
Phoenix, AZ 85001	Phoenix, AZ 85001
Portland, ME 04101	Portland, ME 04101
San Francisco, CA 94104	San Francisco, CA 94104
Seattle, WA 98101	Seattle, WA 98101
St. Louis, MO 63101	St. Louis, MO 63101
Washington, DC 20548	Washington, DC 20548

accounting officer, or any other corporate officer (such as tax officer) authorized to sign a receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filed in Form 1120-IC-DISC, the Paid Preparer's space under "Signature of Officer" should remain blank. If someone prepares Form 1120-IC-DISC and does not change the corporation, that person should not sign the return. Certain officers who prepare Form 1120-IC-DISC should not sign, for example, a regular, full-time employee of the corporation such as a clerk or secretary who does not have to sign (this list is not all-inclusive).

Generally, anyone who is paid to prepare Form 1120-IC-DISC must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return. The preparer is required to sign the return MUST:

- Complete the required preparer information
- Sign, by hand, in the space provided for the preparer's signature (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120-IC-DISC to the client in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information for Tax Practitioners, for more details.

**May Be Required—**

5. Other Returns and Statements That the balance sheets must agree with your books and records. Reconcile any differences.

6. Stock in foreign corporation. If, on the last day of your tax year, you owned at least 1% of the shares of a foreign personal holding company's outstanding stock and the corporation was required to include its gross income any undistributed foreign personal holding company income, attach a statement showing the foreign company's gross income, deductions, credits, taxable income, and undistributed foreign personal holding company income. See section 551(c).

If you controlled a foreign corporation or owned at least 10% of the shares of a controlled foreign corporation, you may have to file Form 5471, Information Return With Respect to a Foreign Corporation.

7. Form 1120-IC-DISC may have any of the following:

- Forms W-2 and W-3, Wage and Tax Statements, and Transmittal of Income and Tax Statements
- Form W-2P, Statement for Recipients of Annuities, Pensions, Retired Pay, or IPA Payments
- Form 966, Corporate Dissolution or Liquidation
- Form 1096, Annual Summary and Transmittal of U.S. Information Returns
- Form 1098, Mortgage Interest Statement
- Signatures of the return preparer, the recipient from an individual, \$500 or more of mortgage interest in the course of the corporation's trade or business for any calendar year.

Forms 1099-A, B, DIV, INT, MISC, OID, PATR, and R. Information returns for reporting distributions, acquisitions through foreclosure, proceeds from brokers, barter exchange, and real estate transactions, certain dividends and distributions, interest payments, payments for certain fishing boat crew members, medical and dental health care payments, direct sales of consumer goods for resale, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit sharing plans, retirement plans, and individual retirement arrangements. Also use these returns to report amounts that were received as a nominee on behalf of another person.

For more information, see Publication 916, Information Returns.

Note: Every corporation must file information returns if, in the course of its trade or business, it makes payments or rents, commissions, or other taxable or determinable income (see section 6041) totaling \$600 or more to any one person during the following items:

- Form 5452, Corporate Report of Nonresident Dividend Recipients
- Form 5498, Individual Retirement Arrangement Information. It is used to provide IRS with contribution information on individual retirement arrangements, simplified employee pensions, and deductible voluntary employee contributions.
- Form 5713, International Boycott Report. For persons having non-residents or related to "boycotting" countries, in addition, persons who participate in or cooperate with an international boycott may have to complete Schedule B and Schedule C of Form 5713 to compute the loss of the following items: the foreign tax credit, the deferral of payments of a controlled foreign corporation, IC-DISC benefits, and S benefits.
- Form 8264, Application for Registration of a Tax Shelter. It is used by tax shelter organizers to register the shelter with the IRS. For the purpose of receiving a tax shelter registration number.
- Form 8271, Investor Reporting of Tax Shelter Registration Number. It is used by investors who have acquired an interest in a tax shelter, which is required to be registered, to report the tax shelter's registration number.
- Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1041)) and an amended Form 1120-IC-DISC on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is reported.
- Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1041)) and an amended Form 1120-IC-DISC on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is reported.
- Form 8271 must be attached to any tax return (including an application for tentative refund (Form 1041)) and an amended Form 1120-IC-DISC on which a deduction, credit, loss, or other tax benefit attributable to a tax shelter is reported.
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**Codes for Principal Business Activity**

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification Code (SIC), they should not be used for SIC codes. Also, certain activities such as manufacturing do not apply to an SIC code.

Using the list below, enter on page 1, under B, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means all income (line 1, page 1). On page 5, under question 1, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Wholesale trade, machinery, equipment, and supplies," the principal product or service may be "Engines and turbines."

Code	Industry Group	Code	Industry Group
4000	Transportation, communication, electric, gas, and sanitary services	5000	Apparel and accessory stores
4100	Transportation	5100	Furniture and home furnishings stores
4200	Communication	5200	Eating and drinking places
4300	Electric, gas, and sanitary services	5300	Miscellaneous retail stores
4400	Electric services	5400	Discretionary and proprietary stores
4500	Gas production and distribution	5500	Liquor stores
4600	Sanitary services	5600	Other miscellaneous retail stores
5000	Apparel and accessory stores	5700	Finance, insurance, and real estate
5100	Furniture and home furnishings stores	5800	Credit agencies other than banks
5200	Eating and drinking places	5900	Other credit agencies
5300	Miscellaneous retail stores	6000	Business services
5400	Discretionary and proprietary stores	6100	Real estate management services
5500	Liquor stores	6200	Auto repair and services, miscellaneous repair services
5600	Other miscellaneous retail stores	6300	Lease or rental of motor vehicles
5700	Finance, insurance, and real estate	6400	Amusement and recreation services
5800	Credit agencies other than banks	6500	Motion picture production, distribution, and service
5900	Other credit agencies	6600	Other services
6000	Business services	6700	Architectural and engineering services
6100	Real estate management services	6800	Accounting, auditing, and bookkeeping
6200	Auto repair and services, miscellaneous repair services	6900	Advertising services
6300	Lease or rental of motor vehicles	7000	Other miscellaneous services
6400	Amusement and recreation services		
6500	Motion picture production, distribution, and service		
6600	Other services		
6700	Architectural and engineering services		
6800	Accounting, auditing, and bookkeeping		
6900	Advertising services		
7000	Other miscellaneous services		

**Schedule N Product Code System**

(These codes are to be used only with Schedule N, page 5, Form 1120-IC-DISC.)

Using the list below, enter on line 1 of Schedule N the product code number and percent of export gross receipts as explained in the Specific Instructions.

This product code system is divided into two categories—(1) nonmanufactured product groups and services, and (2) manufactured product groups.

Code	Product Group	Code	Product Group
010	Nonmanufactured product groups and services	240	Manufactured product groups
011	Other services	241	Food and kindred products
012	Other services	242	Textile mill products
013	Other services	243	Woolen goods
014	Other services	244	Woolen mill products
015	Other services	245	Woolen mill products
016	Other services	246	Woolen mill products
017	Other services	247	Woolen mill products
018	Other services	248	Woolen mill products
019	Other services	249	Woolen mill products
020	Other services	250	Woolen mill products
021	Other services	251	Woolen mill products
022	Other services	252	Woolen mill products
023	Other services	253	Woolen mill products
024	Other services	254	Woolen mill products
025	Other services	255	Woolen mill products
026	Other services	256	Woolen mill products
027	Other services	257	Woolen mill products
028	Other services	258	Woolen mill products
029	Other services	259	Woolen mill products
030	Other services	260	Woolen mill products
031	Other services	261	Woolen mill products
032	Other services	262	Woolen mill products
033	Other services	263	Woolen mill products
034	Other services	264	Woolen mill products
035	Other services	265	Woolen mill products
036	Other services	266	Woolen mill products
037	Other services	267	Woolen mill products
038	Other services	268	Woolen mill products
039	Other services	269	Woolen mill products
040	Other services	270	Woolen mill products
041	Other services	271	Woolen mill products
042	Other services	272	Woolen mill products
043	Other services	273	Woolen mill products
044	Other services	274	Woolen mill products
045	Other services	275	Woolen mill products
046	Other services	276	Woolen mill products
047	Other services	277	Woolen mill products
048	Other services	278	Woolen mill products
049	Other services	279	Woolen mill products
050	Other services	280	Woolen mill products
051	Other services	281	Woolen mill products
052	Other services	282	Woolen mill products
053	Other services	283	Woolen mill products
054	Other services	284	Woolen mill products
055	Other services	285	Woolen mill products
056	Other services	286	Woolen mill products
057	Other services	287	Woolen mill products
058	Other services	288	Woolen mill products
059	Other services	289	Woolen mill products
060	Other services	290	Woolen mill products
061	Other services	291	Woolen mill products
062	Other services	292	Woolen mill products
063	Other services	293	Woolen mill products
064	Other services	294	Woolen mill products
065	Other services	295	Woolen mill products
066	Other services	296	Woolen mill products
067	Other services	297	Woolen mill products
068	Other services	298	Woolen mill products
069	Other services	299	Woolen mill products
070	Other services	300	Woolen mill products
071	Other services	301	Woolen mill products
072	Other services	302	Woolen mill products
073	Other services	303	Woolen mill products
074	Other services	304	Woolen mill products
075	Other services	305	Woolen mill products
076	Other services	306	Woolen mill products
077	Other services	307	Woolen mill products
078	Other services	308	Woolen mill products
079	Other services	309	Woolen mill products
080	Other services	310	Woolen mill products
081	Other services	311	Woolen mill products
082	Other services	312	Woolen mill products
083	Other services	313	Woolen mill products
084	Other services	314	Woolen mill products
085	Other services	315	Woolen mill products
086	Other services	316	Woolen mill products
087	Other services	317	Woolen mill products
088	Other services	318	Woolen mill products
089	Other services	319	Woolen mill products
090	Other services	320	Woolen mill products
091	Other services	321	Woolen mill products
092	Other services	322	Woolen mill products
093	Other services	323	Woolen mill products
094	Other services	324	Woolen mill products
095	Other services	325	Woolen mill products
096	Other services	326	Woolen mill products
097	Other services	327	Woolen mill products
098	Other services	328	Woolen mill products
099	Other services	329	Woolen mill products
100	Other services	330	Woolen mill products

**Form 2555 Foreign Earned Income**

OMB No. 1545-0047  
1987  
Attachment Sequence No. 34

For Use by United States Citizens and Resident Aliens Only

Name of taxpayer: \_\_\_\_\_ Your social security number: \_\_\_\_\_

Form of address (including country): \_\_\_\_\_

Name of employer: \_\_\_\_\_  
Employer's address: \_\_\_\_\_  
Employer's type:  U.S.  Foreign

Employer is (check one):  A foreign entity  A U.S. company  Self  Other (specify) \_\_\_\_\_

Enter earlier years (after 1981) that you filed Form 2555 to claim either of the exclusions: \_\_\_\_\_

If you chose to claim an exclusion in an earlier year (after 1981), have you revoked your choice?  Yes  No

If "Yes," give the type of exclusion and the tax year for which the revocation was effective: \_\_\_\_\_

Are you a U.S. citizen?  Yes  No

Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home?  Yes  No

If "Yes," give city and country of the separate foreign residence. Also show the number of days during your tax year that you maintained a second household at that address: \_\_\_\_\_

List your tax homes (during your tax year and date(s) established): \_\_\_\_\_

Complete either Part I or Part II. If an item does not apply, write "NA." If you do not provide the information asked for, any exclusion or deduction you claim may be disallowed.

**Part I Taxpayers Qualifying Under Bona Fide Residence Test. (See Instructions.)**

1 Date bona fide residence began: \_\_\_\_\_ ended: \_\_\_\_\_

2 Kind of living quarters in foreign country:  Purchased house  Rented house or apartment  Rented room  Quarters furnished by employer

3 Did any of your family live with you abroad during any part of the tax year?  Yes  No

4 Have you submitted a statement to the authorities of the foreign country where you claim bona fide residence that you are not a resident of that country? (See Instructions.)  Yes  No

5 Are you required to pay income tax to the country where you claim bona fide residence? (See Instructions.)  Yes  No

6 Complete the following for days present in the United States or its possessions during the tax year: (Do not include this income in Part III, but report it on Form 1040.)

Period	Number of days in U.S.	Number of days in U.S. possessions (attach schedule)	Date arrived in U.S.	Date left U.S.	Number of days in U.S. or possessions	Income earned in U.S. or possessions
1987						

7 State any contractual terms or other conditions relating to the length of your employment abroad: \_\_\_\_\_

8 State the type of visa under which you entered the foreign country: \_\_\_\_\_

9 Did your visa limit the length of your stay or employment in a foreign country?  Yes  No

10 Did you maintain a home in the United States while living abroad?  Yes  No

If "Yes," show address of your home, whether it was rented, and the names and relationships of the occupants: \_\_\_\_\_

For Paperwork Reduction Act Notice, see page 1 of separate instructions. Form 2555 (1987)

**Form 2555-1987**

**Part II Taxpayers Qualifying Under Physical Presence Test. (See Instructions.)**

7 The physical presence test is based on the 12-month period from \_\_\_\_\_ through \_\_\_\_\_

8 Enter your principal country of employment during your tax year: \_\_\_\_\_

9 Enter all travel abroad during the 12-month period shown on line 7, except travel between foreign countries that did not involve travel on, over, or under international waters, or in, on, or over, the United States, for 24 hours or more. If the last entry is an arrival in a foreign country, enter the number of full days to the end of the 12-month period. If you return during the period, write in the schedule below that you were physically present in a foreign country or countries during the entire 12-month period. (Do not include in Part II the income that you list here, but report it on Form 1040.)

Name of country (including U.S.)	Date arrived	Date left	Full days present in U.S. or possessions	Number of days in foreign country or countries	Income earned in U.S. or possessions (do not include this income)

**Part III All Taxpayers**

Note: On lines 10 through 14 enter all income, including noncash income, that you earned and actually or constructively received during your 1987 tax year for services you performed in a foreign country. If any of the foreign earned income received this tax year was earned in a prior tax year, or will be earned in a later tax year (such as a bonus), see the Instructions. Do not include income from Part I, line 5, or Part II, line 9. Report amounts in U.S. dollars, using the exchange rates in effect when you actually or constructively received the income.

If you are a cash basis taxpayer, report on Form 1040 all income you received during 1987 no matter when you performed the service.

**1987 Foreign Earned Income** (By U.S. dollars)

Line	Description	Amount
10	Total wages, salaries, bonuses, commissions, etc.	10
11	Allowable share of income for personal services performed (see Instructions for Part III, line 11)	11a
	a In a business (including farming) or profession	11b
	b In a partnership (give name, address, and nature of income)	11c
12	Noncash income (market value of property or fact fees furnished by employer—attach statement showing how determined)	12a
	a Home (including)	12b
	b Meals	12c
	c Car	12d
	d Other property or facilities (specify)	12e
13	Allowances, reimbursements, or expenses paid on your behalf for services you performed	13a
	a Cost of living and overseas differential	13b
	b Family	13c
	c Education	13d
	d Home leave	13e
	e Quarters	13f
	f For any other purpose (specify)	13g
14	Add the amounts on lines 10 through 13f and enter the total	14
15	Other foreign earned income (specify)	15
16	Add the amounts on lines 10 through 12d, line 13g, and line 14 and enter the total	16
17	Subtract line 16 from line 15 and enter the result. This is your foreign earned income	17

Complete Part IV next if you choose to claim the housing exclusion or are claiming the housing deduction. Otherwise, skip to Part V.

**Part III For Taxpayers Claiming Housing Exclusion AND/OR Deduction**

18 Qualified housing expenses for the tax year. (See Instructions.)

19 Number of days in your qualifying period that fall within your 1987 tax year. (See Instructions.)

20 Multiply \$19.48 by the number of days on line 19. Enter the result, but do not enter more than \$7,109.00.

21 Subtract the amount on line 20 from the amount on line 18. If zero or less, do not complete the rest of Part III or any of Part VII.

22 Enter employer provided amounts. (See Instructions.)

23 Enter the amount from line 17.

24 Divide the amount on line 22 by the amount on line 23 and enter the result as a decimal (to two places) (rounded to 1 00).

25 Housing exclusion. Multiply the amount on line 21 by the decimal amount on line 24, but do not enter more than the amount on line 22. Also enter this amount on line 35, Part VI.

Note: If the amount on line 21 is more than the amount on line 25, complete line 26. Otherwise, skip to Part V if you choose to claim the foreign earned income exclusion.

26 Subtract the amount on line 25 from the amount on line 21. Enter the result here and on line 40, Part VII. (Complete Part IV before Part VII.)

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**Part IV For Taxpayers Claiming Foreign Earned Income Exclusion**

27 Maximum foreign earned income exclusion

28 Number of days in your qualifying period that fall within your 1987 tax year. (See Instructions for line 19.)

29 Divide the number of days on line 28 by the number of days in your tax year (usually 365) and enter the result as a decimal (to two places).

30 Multiply the amount on line 27 by the decimal amount on line 29.

31 Enter the amount from line 17.

32 Enter the amount from line 25.

33 Subtract the amount on line 32 from the amount on line 31. Enter the result.

34 Foreign earned income exclusion. Enter here and on line 36, Part VI, the amount from line 30 or line 33, whichever is less.

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**Part V For Taxpayers Claiming Housing Exclusion, Foreign Earned Income Exclusion, or Both**

35 Housing exclusion from line 25

36 Foreign earned income exclusion from line 34

37 Add the amounts on lines 35 and 36 and enter the total.

38 Deductions allowed in figuring your adjusted gross income (Form 1040, line 30) that are allocable to the excluded income. (See Instructions and attach computation.)

39 Subtract line 38 from line 37. Enter the result here and in parentheses on Form 1040, line 21. Next to the amount write "Exclusions" from Form 2555. On Form 1040 subtract the amount from your income to arrive at total income on Form 1040, line 22.

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**Part VII For Taxpayers Claiming Housing Deduction**

Note: Complete this part only if (1) you entered an amount on line 26, and (2) the amount on line 17 is more than the amount on line 27.

40 Enter the amount from line 26

41 Enter the amount from line 17

42 Enter the amount from line 37

43 Subtract the amount on line 42 from the amount on line 41 and enter the result.

44 Enter the amount from line 40 or line 43, whichever is less.

Note: If the amount on line 43 is more than the amount on line 44 and you could not deduct all of your 1986 housing deduction because of the 1986 limitation, complete the worksheet on page 4 of the Instructions to figure how much of your 1986 housing deduction may be carried over to 1987. Otherwise, enter a zero (0) on line 45.

45 Housing deduction carryover from 1986 (from worksheet on page 4 of the Instructions)

46 Add the amounts on lines 44 and 45. Enter here and on Form 1040 to the left of line 29. Next to the amount on Form 1040 write "Deduction from Form 2555." Add it to the total adjustments reported on that line.

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**1987** Department of the Treasury Internal Revenue Service  
**Instructions for Form 2555**

**Foreign Earned Income**  
(Section references are to the Internal Revenue Code.)

**General Instructions**

**Paperwork Reduction Act Notice.** We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**Changes You Should Note.** The following changes are a result of the Tax Reform Act of 1986. They apply to tax years beginning after 1986:

- Reduced foreign earned income exclusion. The maximum amount of foreign earned income that may be excluded under section 911(a)(1) has been reduced from \$80,000 to \$70,000.
- Violation of travel restrictions. Generally, if you were in a foreign country in violation of U.S. travel restrictions, the following rules apply: (1) any time spent in that country may not be counted in determining if you qualify under the bona fide residence or physical presence test; (2) any income earned in that country is not considered foreign earned income; and (3) any housing expenses in that country (or housing expenses for your spouse or dependents in another country while you were in that country) are not considered qualified housing expenses.

**U.S. travel restrictions currently apply to** Cuba, Kampuchea (Cambodia), Libya, North Korea, and Vietnam.

**Purpose of Form.** If you are a U.S. citizen or a U.S. resident alien living in a foreign country, you are subject to the same U.S. income tax laws that apply to citizens and resident aliens living in the United States. However, if you qualify, use Form 2555 to exclude a limited amount of your foreign earned income. Also use it to claim the housing exclusion or deduction. You may not, however, exclude or deduct more than your foreign earned income for the tax year.

**Note: Specific rules apply to determine whether you are a resident or nonresident alien of the United States. Get Publication 519, U.S. Tax Guide for Aliens, for details.**

**Who Qualifies.** You qualify for the tax benefits available to taxpayers who have foreign earned income if

you meet the tax home test (defined below) and you are either:

- A U.S. citizen who is a bona fide resident of a foreign country, or
- A U.S. citizen or a U.S. resident alien who is physically present in a foreign country, or countries, for at least 330 full days during any period of 12 months in a row (physical presence test).

**Note: If your only earned income from work abroad is pay you received from the U.S. Government as its employee, you do not qualify for either of the exclusions or the housing deduction. Do not file Form 2555.**

**Tax Home Test.** Your tax home must be in a foreign country, or countries, throughout your period of bona fide residence or physical presence, whichever applies. (For this purpose, your period of physical presence is the 330 full days during which you were present in a foreign country, not the 12 consecutive months during which those days occurred.)

**Tax Home.** Your tax home is your regular or principal place of business, employment, or post of duty, regardless of where you maintain your family residence. If you do not have a regular or principal place of business because of the nature of your trade or business, your tax home is the place where you regularly live.

**Foreign Country.** A foreign country is any territory (including the air space, territorial waters, seabed, and subsoil) under the sovereignty of a government other than the United States. It does not include U.S. possessions or territories.

**Additional Information.** Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad, contains more information about the bona fide residence test, the physical presence test, the foreign earned income exclusion, and the housing exclusion and deduction. You can get the publication from Forms Distribution Center, P.O. Box 25866, Richmond, VA 23260.

**Waiver of Time Requirements.** If your tax home was in a foreign country and you were a bona fide resident of, or physically present in, a foreign country and had to leave because of war, civil unrest, or similar adverse conditions, the minimum time requirements specified under the bona fide residence and physical presence tests may be waived. You must be able to show that you reasonably could have expected to meet the minimum time requirements if you had not been required to leave. If you left one of the countries listed on page 4 during the period indicated, you qualify to claim the tax benefits on Form 2555, but only for the number of days you were a bona fide resident of, or physically present in, the foreign country.

If you qualify to claim either of the exclusions or the housing deduction because of the waiver of time requirements, attach a statement to your return explaining that you are expected to file the applicable time requirement, but that the conditions in the foreign country prevented you from the normal conduct of business. Also write "Claiming Waiver" in the top margin on page 1 of your 1987 Form 2555.

**Where To File.** Attach Form 2555 to the front of your Form 1040 and file your return with the Internal Revenue Service Center, Philadelphia, PA 19255.

**When To File.** A 1987 calendar year Form 1040 is generally due April 15, 1988. However, whether you file on a calendar year or fiscal year basis, you are automatically granted a 2-month extension of time to file (to June 15, 1988, for a 1987 calendar year return) if you are living or traveling outside the United States and Puerto Rico on the date your return is due. If you take this extension, you must attach a statement to your return explaining that you were living or traveling outside the United States and Puerto Rico on the due date of your return.

The automatic 2-month extension also applies to paying the tax. However, interest is charged on the unpaid tax from the regular due date (April 15 for a calendar year return) until it is paid.

**Special Extension of Time.** If you plan to take the foreign earned income exclusion and/or the housing exclusion or deduction, but do not expect to qualify until after the end of the automatic 2-month extension period described above, you may apply for an extension to a date after you expect to qualify.

To apply for this extension, complete and file Form 2350, Application for Extension of Time To File U.S. Income

Tax Return, with the Internal Revenue Service Center, Philadelphia, PA 19255, before the due date of your return. Interest is charged on the tax not paid by the regular due date as explained above.

**Choosing the Exclusion(s).** To choose the housing exclusion (Part IV) or the foreign earned income exclusion (Part V), complete the appropriate parts of Form 2555 and file it with your Form 1040 or Form 1040X, Amended U.S. Individual Income Tax Return.

Once you choose to claim an exclusion, that choice remains in effect for that year and all future years unless it is revoked. If you revoke your choice, however, you may not claim the exclusion(s) for your next 5 tax years without the approval of the Internal Revenue Service. See Publication 54 for more information.

**Earned Income Credit.** You will not qualify for the earned income credit if you claim either of the exclusions or the housing deduction.

**Specific Instructions**

**Which Parts To Complete.** If you qualify for the tax benefits of Form 2555, complete Part I or II, whichever applies, and Part III.

**Complete Part IV** if you choose to claim the housing exclusion or are claiming the housing deduction.

**Complete Part V** if you choose to claim the foreign earned income exclusion.

**Complete Part VI** if you are claiming the housing exclusion, the foreign earned income exclusion, or both.

**Complete Part VII** if you are claiming the housing deduction. You must complete Part IV first, however, to see if you qualify for the housing deduction.

**Part I Bona Fide Residence Test.** To qualify under this test you must be a U.S. citizen or a U.S. resident alien who is a bona fide resident of a foreign country, or countries, for an uninterrupted period that includes a complete tax year (January 1-December 31, if you file a calendar year return).

No specific rule determines whether you are a bona fide resident of a foreign country, because the determination involves your intention about the length and nature of your stay. Evidence of your intention may be your words and acts. If these conflict, you act carry more weight than your words. Generally, if you go to a foreign country for a definite, temporary purpose and return to the United States after you accomplish it, you are not a bona fide resident of the foreign country. If accomplishing the purpose requires an extended, indefinite stay, and you make your

home in the foreign country, you may be a bona fide resident. See Publication 54 for more information and examples.

**Lines 4a and b.** If you submit a statement to the authorities of a foreign country in which you earned income that you are not a resident of the country, and the authorities hold that you are not subject to their income tax laws as a resident, you are not considered a bona fide resident of that country.

If you submit such a statement and the authorities have not made an adverse determination of your nonresident status, you are not considered a bona fide resident of that country.

**Part II Physical Presence Test.** To qualify under this test, you must be a U.S. citizen or resident alien who is physically present in a foreign country, or countries, for at least 330 full days during any period of 12 months in a row.

To figure the minimum of 330 full days presence, add all separate periods you were present in a foreign country during the 12-month period shown on line 7. The 330 full days may be interrupted by periods when you are traveling over international waters or are otherwise not in a foreign country. See Publication 54 for more information and examples.

**Full Day.** A full day means the 24-hour period that starts at midnight.

**Note: A nonresident alien who, with a U.S. citizen or U.S. resident alien spouse, chooses to be taxed as a resident of the United States may qualify under this test if the time requirements are met. See Publication 54 for information on how to make this choice.**

**Part III** Enter in this part the total foreign earned income you earned and received (including income constructively received) during the tax year. If you are a cash basis taxpayer, however, report on Form 1040 all income you received during the tax year regardless of when you earned it.

**Income Is Earned in the Tax Year** you perform the services for which you receive the pay. However, if you are a cash basis taxpayer and, because of your employer's payroll periods, you received your last salary payment for 1986 in 1987, that income may be treated as earned in 1987. If you cannot treat that salary payment as income earned in 1987, the rules explained later under **Income Earned in Prior Year** apply. See Publication 54 for more information.

**Foreign earned income** for this purpose means wages, salaries, professional fees, and other compensation received for personal services you performed in a foreign country during the period for which you meet the tax home test and either the bona fide residence test or the physical presence test. It also includes noncash income (such as a home or car) and allowances or reimbursements.

Foreign earned income does not include amounts that are actually a distribution of corporate earnings or profits rather than a reasonable allowance as compensation for your personal services. It also does not include:

- Pension and annuity income (including social security and railroad retirement benefits treated as social security);
- Interest, dividends, capital gains, alimony, etc.;
- Portion of 1986 moving expense deduction allocable to 1987 that is included in your 1987 gross income (See recapture of moving expense deduction under Moving Expenses in Publication 54 for details);
- Amounts paid to you by the U.S. Government or any of its agencies if you are an employee of the U.S. Government or any of its agencies;
- Amounts received after the end of the tax year following the tax year in which you performed the services; or
- Amounts you must include in gross income because of your employer's contributions to a nonexempt employees' trust or to a nonqualified annuity contract.

**Note: A special rule applies to certain employer contributions made to a pension plan before 1963. See Pensions and Annuities under Foreign Earned Income in Publication 54. In addition, if you received income in 1987 for services performed before 1963, you may be able to exclude the income if a right to receive it existed on March 12, 1962. For more information, write to:**

Internal Revenue Service  
Attn: IN-C:TPS  
9501 Entain Plaza South, S.W.  
Washington, DC 20024

**Income Received in Prior Year.** Foreign earned income received in 1987 may be excluded from your 1986 gross income if, and to the extent, the income would have been excludable if you had received it in 1987. To claim the additional exclusion, you must amend your 1986 tax return. To do this, file Form 1040X.

**Income Earned in Prior Year.** Foreign earned income received in 1987 for services you performed in

1986 may be excluded from your 1987 gross income if, and to the extent, the income would have been excludable if you had received it in 1986. Do not include this income in Part III.

If you are excluding income under this rule, attach a statement to Form 2555 showing how you figured the exclusion. Enter the amount that would have been excludable in 1986 on Form 2555 to the left of line 39. Next to the amount write "Exclusion of Income Earned in 1986." Include it in the total reported on line 39.

**Notes:** If you claimed any deduction, credit, or exclusion on your 1986 return that is definitely related to the 1986 foreign earned income you are excluding under this rule, you may have to amend your 1986 income tax return to adjust the amount you claimed. To do this, file Form 1040X.

**Line 11.** If you engaged in an unincorporated trade or business in which both personal services and capital were material income-producing factors, a reasonable amount of compensation for your personal services will be considered earned income. The amount treated as earned income, however, may not be more than 30% of your share of the net profits from the trade or business.

If capital is not an income-producing factor and personal services produced the business income, the 30% rule does not apply. Your entire gross income is earned income.

**Line 16.** Enter on this line the value of meals and/or lodging furnished by, or on behalf of, your employer for his or her convenience that is excludable from your income under section 119. See Publication 54 for conditions under which you may exclude the value of meals and lodging.

**Part IV** If you are claiming the housing exclusion or deduction and the foreign earned income exclusion, complete this part before Part V.

**Line 18.** Enter the total reasonable expenses paid or incurred during the tax year by you, or on your behalf, for your foreign housing and the housing of your spouse and dependents if they lived with you. You may also include the reasonable expenses of a second foreign household (defined later). Housing expenses are considered reasonable to the extent they are not lavish or extravagant under the circumstances.

Housing expenses include rent, utilities (other than telephone charges), real and personal property insurance, nonrefundable fees paid to obtain a lease, rental of furniture and accessories, residential parking, and household repairs. You may also include the fair rental value of housing provided by your employer if you have not excluded it on line 16, Part III.

Do not include deductible interest and taxes, any amount deductible by a tenant-stockholder in connection with cooperative housing, the cost of buying or improving a house, principal payments on a mortgage, or depreciation on the house. Also do not include the cost of domestic labor, pay television, or the cost of buying furniture or accessories.

Include expenses for housing only during periods for which:

- The value of your housing is not excluded from gross income under section 119 (unless you maintained a second foreign household); and
- You meet the tax home test and either the bona fide residence test or physical presence test.

**Second Foreign Household.** If you maintained a separate foreign household for your spouse and dependents at a place other than your tax home because the living conditions at your tax home were dangerous, unhealthful, or otherwise adverse, you may include the expenses of the second household on line 18.

**Married Couples.** If both you and your spouse qualify for the tax benefits of Form 2555, you each may choose to exclude or deduct part of your foreign housing expenses.

If you and your spouse lived in the same foreign household and file a joint return, the total qualified expenses for the household may be claimed on either your Form 2555 or your spouse's Form 2555. However, if you and your spouse have different periods of residence or presence and the one with the shorter period claims the expenses on his or her Form 2555, only the qualified expenses paid or incurred during the shorter period may be claimed. If you file separate returns, the total qualified housing expenses may either be claimed on your Form 2555 or your spouse's Form 2555, or you each may claim part of the expenses on your separate Forms 2555.

If you and your spouse lived in separate foreign households, you each may claim the qualified expenses for your own household on your separate Forms 2555 only if: (1) your tax homes were not within a reasonable commuting distance of each other; and (2) each spouse's household was not within a reasonable commuting distance of the other spouse's tax home. This is true even if you and your spouse file a joint return. If the requirements in (1) and (2) above are not met, only one of you may claim the housing exclusion or deduction. This is true even if you and your spouse file separate returns. If your spouse qualifies for, but does not claim, a housing exclusion or deduction, you

may include on your Form 2555 the qualified expenses of your spouse's household if the home qualifies as a second foreign household.

**Line 19.** Enter on this line the number of days in your qualifying period that fall within your 1987 tax year. Your qualifying period is the period during which you meet the tax home test and either the bona fide residence test or the physical presence test.

**Example.** You establish a tax home and bona fide residence in a foreign country on August 14, 1987. You maintain the tax home and residence until January 31, 1989. You are a calendar-year taxpayer. The number of days in your qualifying period that fall within your 1987 tax year is 140 (August 14 through December 31, 1987).

**Nontaxable U.S. Government Allowances.** If you or your spouse received a nontaxable housing allowance as a military or civilian employee of the U.S. Government, see Publication 54 for information on how this allowance may affect your housing exclusion or deduction.

**Line 22.** Any amount your employer paid or incurred on your behalf that is foreign earned income included in your gross income for the tax year (without regard to section 911) should be entered on this line.

**Examples of employer-provided amounts are:**

- Wages and salaries received from your employer;
- The fair market value of compensation provided in kind (such as the fair rental value of lodging furnished by your employer as long as it is not excluded on line 16, Part III);
- Rent paid by your employer directly to your landlord; and
- Amounts paid by your employer to reimburse you for housing expenses, educational expenses of your dependents, or as part of a tax equalization plan.

**Self-Employed Individuals.** If all of your foreign earned income, skip lines 22 through 24 and enter a zero on line 25.

**Part V** If you choose to claim the foreign earned income exclusion, complete this part to figure the amount of your exclusion.

**Married Couples.** If both you and your spouse qualify for, and choose to claim, the foreign earned income exclusion, the amount of the exclusion is figured separately for each of you. You each must complete Part V of your separate Forms 2555.

**Community Income.** The amount of the exclusion is not affected by the income-splitting provisions of

community property laws. The sum of the amounts figured separately for each of you is the total amount excluded on a joint return.

**Part VI** If you claim either of the exclusions, you may not claim any deduction (including moving expenses), credit, or exclusion that is definitely related to the excluded income. If only part of your foreign earned income is excluded, you must prorate such items based on the ratio that your excluded earned income bears to your total foreign earned income. See Publication 54 for information on how to figure the amount allocable to the excluded income.

The exclusion under section 119 and the housing deduction are not considered definitely related to the excluded income.

**Line 38.** Report in full on Form 1040 and related forms and schedules all deductions allowed in figuring your adjusted gross income (Form 1040, line 30). Enter on line 38 the total amount of those deductions that are not allowed because they are allocable to the excluded income. See Publication 54 for information on how to report your married deductions that are allocable to the excluded income (such as unreimbursed employee business expenses).

**IRA Deduction.** The IRA deduction is not definitely related to the excluded income. However, special rules apply in figuring the amount of an employee's IRA deduction. For details, see Publication 590, Individual Retirement Arrangements (IRAs).

**Foreign Taxes.** You may not take a credit or deduction for foreign income taxes paid or accrued on income that is excluded under either of the exclusions.

If all of your foreign earned income is excluded, you may not claim a credit or deduction for the foreign taxes paid or accrued on that income.

If only part of your income is excluded, you may not claim a credit or deduction for the foreign taxes allocable to the excluded income. See Publication 514, Foreign Tax Credit for U.S. Citizens and Resident Aliens, for information on how to figure the amount allocable to the excluded income.

**Part VII** If an amount is entered on line 26, Part VI, you must complete this part to figure the amount of your housing deduction. Also complete this part to figure the amount of your existing deduction carryover from 1986.

**One-Year Carryover.** If the amount on line 40 is more than the amount on line 43, you may carry the difference over to your 1988 tax year. If, because of the 1986 limitation, you cannot deduct the excess in 1988, you may not carry it over to any future tax year.

**Line 43.** If the amount on line 43 is more than the amount on line 44 and you could not deduct all of your 1986 housing deduction because of the 1986 limitation, complete the worksheet below to figure the amount to enter on line 45.

**Worksheet**

- Enter the amount from your 1986 Form 2555, line 40 . . . . .
- Enter the amount from your 1986 Form 2555, line 44 . . . . .
- Subtract the amount on line 2 from the amount on line 1 . . . . .

**Note:** If the amount on line 3 is zero, do not complete the rest of this worksheet. You do not have any housing deduction carryover from 1986. Enter zero (0) on line 45.

- Enter the amount from your 1987 Form 2555, line 43 . . . . .
- Enter the amount from your 1987 Form 2555, line 44 . . . . .
- Subtract the amount on line 5 from the amount on line 4 . . . . .
- Compare the amounts on lines 3 and 6. Enter the smaller of the two amounts. Also enter this amount on line 45 of your 1987 Form 2555 . . . . .

**Note:** If the amount on line 3 is more than the amount on line 6, you may not carry the difference over to any future tax year.

**List of Qualifying Countries and Time Periods—Waiver of Time Requirements**

Country	Time Periods	
	Beginning	Ending
Alghanistan	April 23, 1979	(Still in effect)
Colombia	November 13, 1984	(Still in effect)
El Salvador	September 24, 1979	(Still in effect)
Haiti	April 30, 1987	(Still in effect)
Iran	September 1, 1978	(Still in effect)
Iraq	August 31, 1979	January 1, 1987
Kuwait	September 13, 1983	June 13, 1984
Lebanon	August 31, 1979	(Still in effect)
Libya	August 31, 1979	(Still in effect)
Peru	July 3, 1986	(Still in effect)
Sudan	October 17, 1985	November 26, 1986
Uganda	July 29, 1985	April 7, 1986

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**3520**  
Form 1987  
**Creation of or Transfer to Certain Foreign Trusts**  
(Under Section 6048 of the Internal Revenue Code)  
(See instructions on reverse. Attach additional sheets if more space is needed.)

**All information must be in the English language. Show amounts in United States dollars.**

**Part I** Name and address of the grantor or transferor.

**Part II** Name and address of the fiduciary.

**Part III** Name and address of the foreign trustee(s).

**Part IV** Name and address of the beneficiary(ies).

**Part V** Date of creation of the trust.

**Part VI** Date of termination of the trust.

**Part VII** Signature and verification of the grantor or transferor.

**Part VIII** Signature and verification of the fiduciary.

**Part IX** Signature and verification of the foreign trustee(s).

**Part X** Signature and verification of the beneficiary(ies).

**Form 3520 (Rev. 5-87)**

**14** Name and address (number and street, city or town, country) of person(s) having custody of the books of account and records of the foreign trust.

**15** Location of the books of account and records if different from above.

**Signature and Verification.** Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.

**Part I** Name and address of the grantor or transferor.

**Part II** Name and address of the fiduciary.

**Part III** Name and address of the foreign trustee(s).

**Part IV** Name and address of the beneficiary(ies).

**Part V** Date of creation of the trust.

**Part VI** Date of termination of the trust.

**Part VII** Signature and verification of the grantor or transferor.

**Part VIII** Signature and verification of the fiduciary.

**Part IX** Signature and verification of the foreign trustee(s).

**Part X** Signature and verification of the beneficiary(ies).

**Instructions**

**Paperwork Reduction Act Notice.** We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to enforce the laws and to provide you with the best service possible.

**Who Must File.** Except as stated in section 16.3-(d)(4) of the regulations governing payments to foreign trusts for the case of a testamentary trust, the fiduciary of an estate in the case of a testamentary trust, the grantor or transferor, as the case may be, must file this form by the 30th day after (1) the creation of any foreign trust by a United States person or (2) the transfer of any United States person.

**Identifying Number.** Social security numbers identify individual persons and estates of decedents. Employer identification numbers identify trusts, partnerships, corporations, and similar nonindividual persons. If an estate is transferred, as the case may be, must file this form by the 30th day after (1) the creation of any foreign trust by a United States person or (2) the transfer of any United States person.

**Beneficiaries.** Information must be furnished with respect to each beneficiary who is either named in the instrument or whose interest is definitely ascertainable at the time the return is filed. The date of birth States person, the information required and whose rights under the trust are determined, in whole or in part, by reference to their age when the trust was created.

**Where to File.** Unless an extension of time to file is received, this return must be filed by the 30th day after the creation of any foreign trust, or the transfer of any United States person, with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255.

**Returns Jointly Made.** If two or more persons are required to file this return with respect to the joint creation of a foreign trust or the joint transfer of any money or property to a foreign trust, any two or more of such persons may, in lieu of filing several returns, jointly execute and file one return.

**Multiple Transfers.** If a United States person creates more than one foreign trust or transfers money or property to more than one foreign trust, separate returns must be filed with respect to each foreign trust at different times, separate returns must be filed with respect to each transfer of money or property to a separate trust. When returns are required, except that the one who may file a single return with respect to all transfers made by him or her after the earliest transfer in any such period, and includes the information with respect to each transfer.

**Penalties.** A 5% penalty, not to exceed \$1,000, is imposed by section 6677 for failure to file a return, or failure to report the required information, unless due to reasonable cause. Criminal penalties for failure to file a return and for filing a false or fraudulent return are provided by sections 7203, 7206, and 7207.

**Signature.** If this return is filed by an individual (including a fiduciary), it must be signed by such individual. If filed by a partnership, it must be signed by one of the partners. If filed by a corporation, it must be signed either by the president, vice president, treasurer, assistant treasurer, or chief accounting officer, or by any other corporate officer (such as an officer) who is authorized to sign.

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Forms and Instructions

**Instructions**

(Section references are to the Internal Revenue Code.)

**Paperwork Reduction Act Notice**

We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**General**

Section 6048(c) requires an annual return for foreign trusts having one or more U.S. beneficiaries.

**Who Must File the Annual Return**

Any United States person who directly or indirectly transfers property to a foreign trust (other than an employee's trust or annuity plan as described in section 404(a)(4)) that has one or more U.S. beneficiaries shall be considered the owner of the portion of the trust attributable to the transferred property for that tax year. Once such a transfer is made, that person is required to file Form 3520-A annually thereafter as long as the trust has at least one U.S. beneficiary. The period covered by the return is the tax year of the person filing the return.

**Exceptions.**—The following transfers shall not apply:

- (a) Any transfer made due to the death of the transferor.
- (b) Any sale or exchange of the property at fair market value in which all the gain to the transferor is realized at that time or is returned under the section 453 installment method.
- (c) Any transfer to the trust made on or before May 21, 1974.

**Joint Return**

This return may be filed jointly by two transferors or grantors if a joint income tax return was (or will be) filed by them for the same tax year.

**When and Where To File**

**General Rule.**—This return must be filed annually by the 15th day of the fourth month following the end of the tax year with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19225. An extension of time to file may be granted. See Form 2758, Application for Extension of Time to File, for details.

**Foreign Trusts Acquiring U.S. Beneficiaries**

A grantor or transferor is not required to file Form 3520-A if the foreign trust has no U.S. beneficiaries. If the trust acquires a U.S. beneficiary in a subsequent year, Form 3520-A is then required to be filed. Any undistributed net income at the end of the preceding year that was earned from the property transferred is considered to be income (in addition to the grantor's or transferor's other income for the year) to the transferor in the year that the trust acquires the U.S. beneficiary.

**Foreign Trusts Treated as Having U.S. Beneficiaries**

A trust shall be treated as having U.S. beneficiaries for the tax year unless:

- (a) No part of the income or corpus of the trust may be paid or accumulated during the tax year to or for the benefit of a U.S. person under the terms of the trust.
- (b) No part of the income or corpus of the trust may be paid to or for the benefit of a United States person if the trust was terminated at any time during the tax year.

**Attribution of Ownership**

An amount shall be treated as paid or accumulated for the benefit of a U.S. person if such amount is paid to or accumulated for a foreign corporation, foreign partnership or foreign estate or trust, and:

- (a) The corporation has more than 50 percent of its combined voting power (in all classes of stock entitled to vote) owned by U.S. shareholders.
- (b) The partnership has at least one partner who is a U.S. person.
- (c) The trust or estate has at least one U.S. beneficiary.

**Apportionment of Trust Income**

If transfers of property to the trust occurred both (a) on or before and (b) after May 21, 1974, or if transfers were made by the person filing this return and some other person, the income, deductions, and credits must be apportioned among such transfers. Such apportionment shall be in a manner that is reasonable in the light of all the circumstances of each case. See section 671 and the regulations thereunder for additional rules of apportionment. All relevant information regarding the method of apportionment should be attached to this form, including the date and amount of transfer(s) by the person filing this return, and the date, amount, and nature of the property of all other transfers to the trust.

**Definitions**

A **United States person** includes a citizen or resident of the United States, a domestic corporation, a domestic partnership, and any estate or trust (other than a foreign estate or foreign trust the income of which from sources outside the United States is not effectively connected with the conduct of a trade or business within the United States).

The **term transferor** refers to any United States person who, directly or indirectly, gives, sells, exchanges, transfers, or otherwise disposes of money or property to a foreign trust. It does not refer to a transfer made by a U.S. person who is not the real owner (such as a bank transferring property for a U.S. person); in such case, the real owner is considered the grantor or transferor.

The **term grantor** means a United States person who creates, or is treated as the owner of any portion of, a foreign trust.

The **term beneficiary** means a United States person who receives, will receive, or may receive money or property, at any time, from a foreign trust.

**Identifying Number**

Use social security numbers to identify individual persons. Use employer identification numbers to identify estates, trusts, partnerships, corporations, and similar nonindividual persons.

**Multiple Transfers**

If a United States person creates more than one foreign trust or transfers money or property to more than one foreign trust, separate returns must be filed with respect to each foreign trust when returns are required. If more than one U.S. person contributes money or property to a foreign trust with a U.S. beneficiary, each such person must file Form 3520-A.

**Penalties**

A penalty of 5% of the value of the corpus of the trust at the close of the tax year (but not more than \$1,000) is imposed by section 6677 for failure to file timely, or failure to report the required information, unless due to reasonable cause. Criminal penalties for failure to file timely and for filing a false or fraudulent return are provided by sections 7203, 7205, and 7207.

**Signature**

If this return is filed by an individual (including a fiduciary), it must be signed by such individual. If filed by a partnership, it must be signed by one of the partners. If filed by a corporation, it must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) who is authorized to sign.

**Note**

The filing of this form does not relieve the grantor or transferor from the requirement of filing Form 3520, United States Information Return—Creation of or Transfers to Certain Foreign Trusts, or Form T F 90-22.1, Report of Foreign Bank and Financial Accounts.

U.S. GOVERNMENT PRINTING OFFICE: 1987-331-823(241)

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**3520-A**  
Annual Return of Foreign Trust With U.S. Beneficiaries  
(OMB No. 1545-0150)  
(See instructions attached. Attach additional sheets if more space is needed.)  
OMB No. 1545-0150  
Expires 4-30-90

All information must be in the English language.  
For calendar year or fiscal year (specify month and year beginning and ending). Show amounts in United States dollars.

Name of United States person(s) filing return: \_\_\_\_\_  
Address (number and street): \_\_\_\_\_  
City or town, state and ZIP code: \_\_\_\_\_

1 Title of person filing return (check applicable box):  
 Grantor  Transferor

2 Are you the sole U.S. grantor or transferor?  
If "No," attach list of all other U.S. grantors or transferors showing name, address, and identifying number.  Yes  No

3 Name and address of the foreign trust: \_\_\_\_\_

4 Country under whose laws the trust was created: \_\_\_\_\_

5 Date of the creation of the trust: \_\_\_\_\_

6 Name and business address of foreign trustee: \_\_\_\_\_

7 Date of termination: \_\_\_\_\_

8 Name of U.S. beneficiary	Address of beneficiary	Identifying number, if any	U.S. citizen	
			Yes	No
(a)				
(b)				
(c)				
(d)				
(e)				
(f)				

9 Amendments to trust during this year. Explain (attach statement if necessary): \_\_\_\_\_

10 Is trustee required to distribute all trust income currently? \_\_\_\_\_

11 Has situs of the trust changed since its creation?  
If "Yes," attach explanation: \_\_\_\_\_

12 Was Form 3520 filed with respect to this trust?  
If "Yes," enter date filed: \_\_\_\_\_

13 Enter date of last transfer of property to trust by grantor or transferor filing this return: \_\_\_\_\_

14 Has grantor or transferor filed TDF 90-22.1 with respect to this trust?  
If "Yes," enter amount of deemed accumulation distribution to grantor (see section 678(b) and attach computation): \_\_\_\_\_

15 Did the trust acquire a U.S. beneficiary during the current year?  
If "Yes," enter amount of deemed accumulation distribution to grantor (see section 678(b) and attach computation): \_\_\_\_\_

16 Attach statement with respect to each beneficiary showing his or her right to receive income or corpus, or both, his or her proportionate interest in the income or corpus, or both, and any condition governing the time a distribution to him or her may be made, such as a specific date or age. In lieu of such a statement, a copy of the trust instrument may be submitted. If this information has been submitted in a previous year of the trust and has not changed, enter the year for which such information was submitted and the information need not be resubmitted for the current year (or for four years) and complete: \_\_\_\_\_

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Title: \_\_\_\_\_

For Paperwork Reduction Act Notice, see Instructions on page 3. Form 3520-A (Rev. 4-75)

Form 3520-A (Rev. 5-87) Page 2

**Part I Foreign Trust Income Statement**

Income	1-8	1987	
		(A) Amount	(B) Total
1 Dividends			
2 Interest			
3 Income from partnerships and other fiduciaries			
4 Income from royalties			
5 Gross profit (loss) from trade or business			
6 Net gain (loss) from capital assets			
7 Ordinary gains and (losses)			
8 Other income (state nature of income)			
9 Total income (add lines 1 through 8)			
10 Interest			
11 Taxes (attach schedule)			
12 Fiduciary's portion of depreciation and depletion (explain depletion)			
13 Charitable contributions			
14 Other expenses			
15 Total expenses (add lines 10 through 14)			
16 Net income (subtract line 15 from line 9)			

Amount from line 16, column (B), should be entered in Schedule E (Form 1040), Form 1065, Form 1041, or Forms 1120 and 1120S if less than 100% of column (A), attach computations.

**Part II Balance Sheets**

Assets	Beginning of Tax Year		End of Tax Year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
1 Cash				
(a) Savings and interest-bearing accounts				
(b) Other				
2 Accounts receivable net				
3 Notes receivable (attach schedule)				
4 Inventories				
5 Government obligations				
(a) U.S. and instrumentalities thereof				
(b) State, subdivisions thereof				
6 Investments in non Gov. bonds, etc. (attach schedule)				
7 Investments in corporate stocks (attach schedule)				
8 Mortgage loans (number of loans)				
9 Other investments (attach schedule)				
10 Depreciable depletable assets (attach schedule)				
Less accumulated depreciation				
11 Land				
12 Other assets (attach schedule)				
13 Total assets				
Liabilities				
14 Accounts payable				
15 Contributions, gifts, grants, etc. payable				
16 Mortgages and notes payable (attach schedule)				
17 Other liabilities (attach schedule)				
18 Total liabilities				
19 Accumulated earnings				
20 Other (attach schedule)				
21 Total net worth				
22 Total liabilities and net worth (line 18 plus line 21)				

Forms and Instructions

Forms and Instructions

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**5471**  
Form 5471 (Rev. 1/86)  
Department of the Treasury  
Internal Revenue Service

**Information Return with Respect to a Foreign Corporation**

OMB No. 1545-0044  
Expires 11/30/88  
To Be Filled In Duplicate

Information furnished for the foreign corporation's annual accounting period beginning 19 and ending 19

Name and address of person filing this return \_\_\_\_\_ Identifying number \_\_\_\_\_

Filer's tax year beginning 19 and ending 19

**Important:** Fill in all applicable lines and sections. All information must be in the English language AND all amounts must be stated in U.S. dollars unless otherwise indicated.

1a Name of foreign corporation and address where books and records are located \_\_\_\_\_  
 b Employee identification number, if any \_\_\_\_\_  
 c Country under whose laws incorporated \_\_\_\_\_

4 Were any of the corporation's accounting tax records maintained on a computerized system?  Yes  No  
 e Date of incorporation \_\_\_\_\_  
 f Principal country in which business is conducted \_\_\_\_\_  
 g Business code number \_\_\_\_\_  
 h Principal business activity \_\_\_\_\_

2 Provide the following information for the above-stated accounting period of the foreign corporation:  
 If U.S. income tax returns were filed, please indicate

Name, address, and identifying number of branch or agent in U.S. (if any)	If the foreign corporation provided in filing a consolidated return, name of corporation filing the consolidated return	Taxable income or (loss)	Amount of U.S. income tax paid (after all credits)

**Schedule A Stock of the Foreign Corporation**

(a) Description of each class of stock	(b) Beginning of annual accounting period		(c) End of annual accounting period	
	Number of shares		Number of shares	
	(1) Issued	(2) Outstanding	(1) Issued	(2) Outstanding

**Schedule B U.S. Shareholders of Foreign Corporation**

(a) Name, address, and identifying number of shareholder	(b) Class of stock	(c) Number of shares of outstanding stock held at				(d) Pro rata share of subpart F and G income
		Beginning of annual accounting period		End of annual accounting period		
		(1) Directly	(2) Indirectly	(3) Constructively	(4) Indirectly	

Total percentage of voting stock of the foreign corporation owned by you at the end of the annual accounting period of the foreign corporation \_\_\_\_\_

For Paperwork Reduction Act Notice, see page 1 of the instructions.

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**Schedule C Earnings and Profits**

Income	1a	1b	1c
1 Net sales (gross receipts less returns and allowances):			
a Unrelated customers			
b Related customers			
c Add lines 1a and 1b			
2 Cost of goods sold and/or operations (line 7, Schedule D)			
3 Gross profit (subtract line 2 from line 1c)			
4 Dividends			
5 Interest			
6 Gross rents, royalties, and license fees			
7 Net gain or (loss) on sale of capital assets			
8 Other income (attach schedule)			
9 Total income (add lines 3 through 8)			
10 Compensation not deducted elsewhere			
11 Rents, royalties, and license fees			
12 Interest			
13 Depreciation not deducted elsewhere			
14 Depletion			
15 Taxes (exclude income, war profits, and excess profits taxes)			
16 Other deductions (attach schedule—exclude income, war profits, and excess profits taxes)			
17 Total deductions (add lines 10 through 16)			
18 Earnings and profits (before reduction for any income, war profits, or excess profits taxes):			
a Subtract line 17 from line 9			
b Unrealized exchange gain or (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a))			
c Combine lines 18a and 18b			
19 Income, war profits, and excess profits taxes paid or accrued (from line 5, column (d), Schedule F)			
20 Earnings and profits (subtract line 19 from line 18c)			

**Schedule D Cost of Goods Sold and/or Operations**

1	2a	2b	2c
1 Beginning inventory			
2 Merchandise bought for manufacture or sale:			
a From unrelated suppliers			
b From related suppliers			
c Add lines 2a and 2b			
3 Wages and salaries			
4 Other costs (attach schedule)			
5 Total (add lines 1 through 4)			
6 Ending inventory			
7 Cost of goods sold and/or operations (subtract line 6 from line 5) Enter here and on line 2, Schedule C			

**Schedule E Income, War Profits, and Excess Profits Taxes Paid or Accrued**

(a) Name of country or U.S. possession	(b) Amount of tax		(d) In U.S. dollars
	(c) In foreign currency	(c) Conversion rate	
1 U.S.			
2			
3			
4			
5 Total. Enter here and on line 19, Schedule C			

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**Schedule H Balance Sheets**

Assets	(a) Beginning of annual accounting period		(b) End of annual accounting period	
	(1) Directly	(2) Indirectly	(1) Directly	(2) Indirectly
1 Cash				
2 Trade notes and accounts receivable				
Less allowance for bad debts				
3 Inventories				
4 Other current assets (attach schedule)				
5 Loans to stockholders and other related persons (complete Schedule G, line 1)				
6 Investment in subsidiaries (attach schedule)				
7 Buildings and structures				
Less accumulated depreciation				
8 Other fixed depreciable assets				
Less accumulated depreciation				
9 Depletable assets				
Less accumulated depletion				
10 Land (net of any amortization)				
11 Intangible assets:				
a Goodwill				
b Organization costs				
c Patents, trademarks, and other intangible assets				
d Less accumulated amortization for lines 11a, b, and c				
12 Other assets (attach schedule)				
13 Total assets				
<b>Liabilities and Stockholder's Equity</b>				
14 Accounts payable				
15 Other current liabilities (attach schedule)				
16 Loans from stockholders and other related persons (complete Schedule G, line 2)				
17 Other liabilities (attach schedule)				
18 Capital stock:				
a Preferred stock				
b Common stock				
19 Paid in or capital surplus (attach reconciliation)				
20 Retained earnings:				
a Appropriated				
b Unappropriated				
21 Less cost of treasury stock				
22 Total liabilities and stockholders' equity				

**Schedule I Loans to and from Shareholders and Other Related Persons**

(a) Outstanding balances of foreign corporation	(b) U.S. person filing the return	(c) Any domestic corporation controlled by U.S. person filing the return	(d) Any foreign corporation controlled by U.S. person filing the return	(e) 10% or more U.S. shareholder controlled foreign corporation (other than controlled foreign shareholder)	(f) 10% or more U.S. shareholder of domestic corporation filing this return
1 Loans to persons described in columns (b) through (f)					
a At beginning of foreign corporation's annual accounting period					
b At end of foreign corporation's annual accounting period					
2 Loans from persons described in columns (b) through (f)					
a At beginning of foreign corporation's annual accounting period					
b At end of foreign corporation's annual accounting period					

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**Schedule H Reconciliation of Book Profits to Earnings and Profits.** Do not complete this schedule if total assets (Schedule F, line 13, column (b)) are less than \$25,000.

Earnings and profits are determined under:  Section 902  Section 964(a)

1 Profit or (loss) for the year per books of account (before reduction for any income, war profits, and excess profits taxes)	Net additions		Net subtractions	
	(a)	(b)	(c)	(d)
2 Net adjustments to book profit in determining earnings and profits for U.S. tax purposes (see instructions):				
a Capital gains or losses				
b Depreciation				
c Depletion				
d Investment or incentive allowance				
e Charges to statutory reserves				
f Inventory valuation adjustments				
g Other (attach schedule—exclude income, war profits, and excess profits taxes)				
3 Total net additions				
4 Total net subtractions				
5 Line 1 plus line 3 less line 4				
6 Unrealized exchange gain or (loss) under section 964(a) (omit if earnings and profits are not computed under section 964(a))				
7 Earnings and profits for the year (before reduction for any income, war profits, and excess profits taxes) (add lines 5 and 6)				
8 Income, war profits, and excess profits taxes paid or accrued (from line 5, column (d), Schedule E)				
9 Earnings and profits (subtract line 8 from line 7)				

**Schedule I Analysis of Unappropriated Retained Earnings.** Do not complete this schedule if total assets (Schedule F, line 13, column (b)) are less than \$25,000.

1 Balance at beginning of annual accounting period	2
2 Net income per books	
3 Other increases (decreases)	
4 Total (add lines 1 through 3)	
5 Distributions out of earnings and profits:	
a Paid during first 60 days of annual accounting period	
b Paid during remainder of annual accounting period	
c Add lines 5a and 5b	
6 Other distributions (itemize)	
7 Other decreases (itemize)	
8 Total (add lines 5c through 7)	
9 Balance at end of annual accounting period (subtract line 8 from line 4)	

**Schedule J Summary of Subpart F Income (see worksheets contained in the instructions)**

1 Subpart F income (line 17, Worksheet A)	2
2 Increase in earnings invested in United States property (line 14, Worksheet C)	
3 Previously excluded subpart F income withdrawn from qualified investments (line 6, Worksheet D)	
4 Previously excluded export trade income withdrawn from investment in export trade assets (line 7, Worksheet E)	
5 Factoring income (see instructions)	
6 Total of lines 1 through 5 (Enter here and on your income tax return)	

**Schedule K Accumulated Earnings and Profits Since 1962**

1 Balance at beginning of year	Earnings and Profits Taxed Under Subpart F		3 Actual distributions in current year
	Total Earnings and Profits	Investment in U.S. Property	
2 Current year earnings and profits			
3 Balance at end of year			

**Schedule L Persons with Whom, or on Whose Behalf, this Return is Filed**

(a) Name	(b) Address	(c) Identifying number	(d) Check applicable boxes
			Shareholder <input type="checkbox"/> Officer <input type="checkbox"/> Director <input type="checkbox"/>

U.S. GOVERNMENT PRINTING OFFICE: 1985

Forms and Instructions

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# Instructions for Form 5471

(Revised January 1986)  
Information Return With Respect to a Foreign Corporation

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

**Purpose of Form.**—Certain U.S. persons involved in international operations file Form 5471 to report their activities.

**Foreign Sales Corporations.**—Shareholders, officers, and directors of a Foreign Sales Corporation (FSC), as defined in section 922, do not have to file Form 5471 and Schedule O to report the organization of a FSC. However, any subsequent reorganization, transfer, or acquisition of stock in the FSC must be reported.

Foreign sales corporations are generally not subject to the Subpart F rules contained in sections 951-964. However, the non-exempt portion of a FSC's foreign trade income computed without regard to the administrative pricing rules (section 923(a)(2) income) is subject to Subpart F rules. When a FSC is a controlled foreign corporation and has section 952(a)(2) non-exempt income, U.S. shareholders must file Form 5471 and any appropriate schedules.

**Computer Generated Form 5471 and Schedules.**—You may submit computer generated printouts of Form 5471 and its schedules. However, all computer generated forms must receive prior approval from the IRS. Please submit all requests for approval to Internal Revenue Service, Attention: Substitute Forms Program, D. R. R. 1111 Constitution Avenue, N.W., Washington, D. C. 20224.

**Who Must File Form 5471**  
Generally, the following U.S. persons who have an interest in a controlled foreign corporation must file Form 5471. However, it may not be necessary to complete all of the schedules. Please read each of the categories of filers to determine which schedules apply. Do not duplicate information if you are determined in more than one filing category. However, you must complete all schedules that apply to you. You must complete a separate Form 5471 and the applicable schedules for each foreign corporation.

All filers should complete the identifying data and items 1 and 2 on page 1 of Form 5471.

**Individuals or limitations imposed under the laws of any foreign country.**  
Schedule A—Complete Schedule A to analyze the unapportioned retained earnings of the foreign corporation at the end of its annual accounting period.

**However, do not complete Schedule A if the total assets at the end of the annual accounting period are less than \$25,000.**

**Schedule B.**—Use Schedule B to report the portion of the Subpart F income of the controlled foreign corporation that the U.S. shareholder filing this return must include in income. If less than 10% of the controlled foreign corporation's gross income is included in the income of its U.S. shareholders, if more than 70% of the income is foreign base company income, all of the income of the controlled foreign corporation is included in the income of its U.S. shareholders.

Factoring income (as defined in section 864(d)(1)) of the foreign corporation is included in the income of its U.S. shareholders even if the controlled foreign corporation has less than 10% foreign base company income. Factoring income is, however, included when determining whether the 10% or 70% test is met.

The worksheets that follow in these instructions may be used by U.S. shareholders to compute income of the controlled foreign corporation whose annual accounting period ends with or within the U.S. shareholder's income tax year. Do not file these worksheets when filing Form 5471.

A step by step procedure for computing the foreign base company income on the worksheets is contained in regulations section 1.952-3. Please refer to these regulations when completing the worksheets.

**Computation of Investment in United States Property.**—Investment in United States property does not include the stocks and obligations of a domestic corporation which is neither a U.S. shareholder of the controlled foreign corporation nor a domestic corporation, 25% or more of the total combined voting

power of which (immediately after the acquisition) is owned or considered as being owned by the U.S. shareholders of the controlled foreign corporation; and (2) any debt which is used for the purpose of exploring for, developing, removing, or transporting resources from the ocean or under the ocean when used on the continental shelf of the United States.

**Corporate Rates.**—A U.S. shareholder who elects to be taxed at the corporate rates on income included in income under section 951(a) must attach to his or her tax return a Form 5713, *International Boycott Report*. Any person, or a member of a controlled group (within the meaning of section 952(c)), which includes that person, a country (or with the government), or a national of a country which requires participation in or cooperation with an international boycott as a condition of doing business within such country or with the government, company, or national of that country, may be required to file Form 5713. Any person subject to the reporting requirements of section 959(a) is required to file Form 5713 in duplicate. One copy of Form 5713 should be attached to the income tax return. The other copy should be filed with the Internal Revenue Service Center, Philadelphia, PA 19255. For further information, see Form 5713.

**International Boycott Income.**—If a controlled foreign corporation or a member of a controlled group (within the meaning of section 952(c)) that includes the foreign corporation agrees to participate in or cooperate with an international boycott, a portion of the income of the controlled foreign corporation is included in Subpart F income. The amount included in Subpart F income is determined by multiplying the income of the controlled foreign corporation (as determined under section 951 and U.S. source effectively connected business income described in section 952(b)) by the international boycott factor. The international boycott factor is a fraction determined on Schedule A (Form 5713).

**Special Rule.**—If the shareholder of a controlled foreign corporation can clearly demonstrate that the income earned for the operations, then, instead of applying the international boycott factor, the addition to Subpart F income is the amount specifically attributable to the operations in which there was participation in or cooperation with an international boycott. See Schedule B (Form 5713).

Enter the amount of international boycott income on line 5 of worksheet A.

**Illegal Bribes, Kickbacks, or Other Payments.**—Under section 952(a)(4), the sum of the amounts of any illegal bribes, kickbacks, or other payments (within the meaning of section 652(c)) that are made or received by the corporation, directly or indirectly, to an official, employee, or agent of a government is considered Subpart F income. These are payments that would be unlawful under the Foreign Corrupt Practices Act of 1977. Enter the total amounts of these payments on line 6 of worksheet A.

**Factoring Income.**—Factoring income arises when a person collects a trade or service receivable. If the receivable is interest on a loan from the obligor under section 864(d)(1), factoring income of a controlled foreign corporation is included in the income of its U.S. shareholders even if the controlled foreign corporation's foreign base company income is less than 10% of the foreign corporation's gross income. However, factoring income is included in computing whether the controlled foreign corporation satisfies either the 10% or 70% tests of section 952(b)(3). Additionally, a trade or service receivable acquired by a controlled foreign corporation is considered an investment in U.S. property for purposes of section 951 if the obligor is a U.S. person.

Show your pro rata share of factoring income on line 5, Schedule J.

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**Line 2.**—If the foreign corporation had a branch or agent in the U.S., enter the name and identifying number of the branch or agent in the space provided on line 2. If the foreign corporation filed a U.S. income tax return, please complete the rest of the information on line 2.

**Specific Instructions**  
Completion of Schedules C, D, and E.—If you are required to file Schedule M, you are only required to complete Schedules C, D, and E for annual accounting periods of the foreign corporation when the foreign corporation pays a dividend or generates Subpart F income. Schedule M filers must complete these schedules in all cases.

**Related persons.**—For purposes of completing Schedules C and D, the term "related" includes any relationship with the foreign corporation that is described in section 267(b). Also, the rules concerning the consolidated ownership of stock contained in section 267(c) apply.

**Definitions**  
**U.S. Person.**—A U.S. person is any of the following:  
(1) a U.S. citizen or resident,  
(2) a domestic partnership,  
(3) a domestic corporation, or  
(4) any estate or trust (other than a foreign estate or trust within the meaning of section 7701(a)(31)).

**Control.**—A U.S. person "controls" a foreign corporation if that person owns or stock with more than 50% of the voting power of all classes of stock entitled to vote, or if that person owns more than 50% of the total value of all shares of stock in the foreign corporation.

In determining "control," the rules for constructive ownership contained in section 318 apply with the following exceptions:  
(a) if a non-U.S. person who is a partner or who is a beneficiary of an estate or trust is the owner of the stock, the U.S. partner or estate or trust will not be considered to own such stock;  
(b) if a non-U.S. person is a shareholder in a foreign corporation, the corporation will not be considered to own the stock of the shareholder;  
(c) if 10% or more in the value of the stock is owned, directly or indirectly, by or for any person, section 318(a)(2)(C) will apply.

**U.S. Shareholder.**—A U.S. shareholder of a foreign corporation is any U.S. person who directly, indirectly, or constructively (10% or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote. For rules for determining stock ownership, see section 305).

**Controlled Foreign Corporation.**—A controlled foreign corporation is any foreign corporation of which more than 50% of the total combined voting power of all classes of stock of the corporation is owned, directly, indirectly, or constructively by U.S. shareholders on any day during the tax year of such foreign corporation. For rules relating to corporations deriving income from the insurance of U.S. risks and any person who is a U.S. possessor, see sections 957(b) and 957(c).

**Subpart F Income.**—Subpart F income is the income of the foreign corporation which is included in the income of a U.S. person under section 951. Subpart F income includes—  
(1) income from the insurance of U.S. risks;  
(2) foreign base company income;  
(3) international boycott income;  
(4) the amount of any illegal bribes, kickbacks, or other payments made to an employee, official, or agent of a government;  
(5) amounts withdrawn from investments in less developed country corporations;  
(6) amounts withdrawn from investments in foreign based shipping operations; and  
(7) the income in excess of the cost of the corporation invested in U.S. property for the year.

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Forms and Instructions

Worksheet B—Foreign Base Company Income

Show gross income before exclusions. If the entire gross income of the controlled foreign corporation is treated under section 954(b)(3) as foreign base company income, separate the gross income into foreign base company shipping income line 1 through 7, however, the exclusion on line 2c is not allowed. Enter the balance of the gross income on line 19 and complete the worksheet; however, the exclusion on line 20a is not allowed.

Worksheet C—Pro Rata Share of Increase in Earnings Invested in U.S. Property

1 Amount of U.S. property (other than property excluded under section 956(b)(2) held, directly or indirectly, by the controlled foreign corporation at the close of the tax year

Worksheet D—Pro Rata Share of Previously Excluded Subpart F Income Withdrawn From Qualified Investments in Less Developed Countries

1 Decrease in qualified investments in less developed countries (see regs. sec. 1.955-1(b)(1) and foreign base company shipping operations (see reg. sec. 1.955-1(b)(2))

Worksheet E—Pro Rata Share of Reductions for Export Trade Income

1 Total export trade income (section 971(b))

Worksheet F—Pro Rata Share of Previously Excluded Export Trade Income

1 Decrease in investments in export trade assets (see reg. sec. 1.970-1(d)(3))

3 consecutive tax years in each of which less than 50% of the gross income is foreign personal holding company income.

The term "contribution base" when used in section 170(b)(1) means the corporation's taxable income computed (1) with the adjustments, other than the 10% limitation, provided in section 170(b)(2); (2) without the deduction of the amount disallowed under section 556(b)(5) (relating to expenses and depreciation applicable to projects of the taxpayer) and section 556(b)(6) (relating to taxes and contributions to pension and trusts); and (3) without the inclusion of the amounts includable as dividends under section 555(b) (relating to inclusion in gross income of a foreign personal holding company of its distributive share of the undivided foreign personal holding company income of another company in which it is a shareholder).

The carryover of allowable contributions made in a prior year is not allowed as a deduction in computing undistributed foreign personal holding company income for any tax year.

**Line 9—Taxes**—Section 556(b)(1) provides a deduction for Federal income tax accrued (or, in some cases, paid) during the tax year, but not including the accumulated earnings tax imposed by section 531 or the personal holding company tax imposed by section 541.

Attach a schedule showing (a) the nature of income on which Federal income tax was paid or withheld at the source; (b) when and where the tax was paid or withheld; (c) the amount of tax paid or accrued; and (d) the tax year to which the tax relates.

Also attach a schedule of income, war profits, and excess profits tax of foreign countries and possessions of the U.S. accrued during the tax year to the extent not allowable as a deduction because a foreign tax credit was claimed.

**Line 10—Net operating loss for the preceding tax year**—Section 556(b)(4) provides that in lieu of the net operating loss deduction provided in section 172 there will be allowed the amount of the net operating loss (as defined in section 172(c)) for the preceding tax year computed without the deductions provided in sections 241 through 250, except for section 248.

**Section B—Deduction for dividends paid**—Enter the deduction for dividends paid in section 561. The deduction for dividends paid is the sum of the dividends paid during the tax year and the carried-over dividends for the tax year (determined under section 565).

The rules in section 562 will apply in determining the deduction for dividends paid. Consult the deduction in Section B and attach (a) a copy of each dividend resolution, and (b) a concise statement of the pertinent facts relating to the payment of each dividend, clearly specifying (1) the method of payment, and (2) if not paid in money, the fair market value and adjusted basis for face value, if paid in the corporation's own obligations; (3) the date of distribution of the property; and (3) the manner in which the fair market value and adjusted basis were determined.

**Schedule O**—Schedule O is used to report the organization or reorganization of a foreign corporation and the stock owned under section 6045. U.S. persons who are officers, directors, or shareholders

in a foreign corporation must complete Schedule O on certain cases described below.

**Who Must Complete Schedule O**

**A. Officers and directors.**—Every U.S. citizen or resident who is a director or officer of a foreign corporation must complete Schedule O to report each U.S. person who:

- (1) acquires stock in a foreign corporation (in one or more transactions) that gives that person a 5% or more ownership in the foreign corporation. Stock owned by the U.S. person on January 1, 1963, however, is not considered in determination of the 5% amount;
- (2) acquires an additional 5% ownership in the foreign corporation after Schedule O has been filed.

**Examples**—  
(1) Mr. Harris is a U.S. citizen who is a director of a foreign corporation, Mr. Johnson, also a U.S. citizen, acquires stock in that corporation in the following transactions—  
(a) on March 1, 1984, Johnson acquires 2% of the corporation's stock;  
(b) on October 1, 1984, Johnson acquires an additional 2% of the corporation's stock;  
(c) on December 1, 1984, Johnson acquires an additional 2% of the corporation's stock.

Harris is required to report Johnson's December 1, 1984, transaction since Johnson at that point owned more than 5% of the foreign corporation.

(2) The facts are the same as above. Also, Johnson acquires an additional 4% of the foreign corporation's outstanding stock on March 1, 1985, and on April 1, 1985, Johnson acquires an additional 2% of the foreign corporation's outstanding stock.

Harris does not have to complete Schedule O for the March 1, 1985, transaction since Johnson had not acquired an additional 5% or more since Harris last filed Form 5471 and Schedule O. Harris is, however, required to complete Schedule O for the April 1, 1985, transaction since Johnson had, at that time, acquired an additional 5% or more of the foreign corporation's outstanding stock.

**B. Shareholders.**—Every U.S. person must file Schedule O when:

- (a) the person acquires (whether in one or more transactions) outstanding stock of a foreign corporation which has, or which when added to any stock already owned by that person (excluding any stock owned on January 1, 1963, if on that date he or she owned 5% or more in value of stock of the foreign corporation; or
- (b) the person, having already acquired 5% or more in value of the outstanding stock of the foreign corporation or the interest referred to in (a) above;
- (c) acquires (whether in one or more transactions) an additional 5% or more in value of the outstanding stock of the foreign corporation.

- (d) owns 5% or more in value of the outstanding stock of the foreign corporation when the foreign corporation is reorganized; or
- (e) disposes of sufficient stock in the foreign corporation to reduce his or her interest to less than 5% in value of the corporation; or
- (f) the person becomes a U.S. person while owning 5% or more in value of the outstanding stock of the foreign corporation.

**Examples**—

(1) On June 10, 1983, a domestic corporation, Z, acquires a 6% ownership in a foreign corporation, Y, completes Form 5471 and Schedule O to report this transaction. On July 7, 1983, Z acquires an additional 4% of the outstanding stock of the foreign corporation and on September 2, 1983, Z acquires an additional 2% of the foreign corporation's outstanding stock. Z is not required to complete Schedule O for the July 7, 1983, transaction, but must complete Schedule O to report the September 2, 1983, transaction since that transaction gives Z an additional 5% or more ownership from the last time Z became liable for completing Schedule O (June 10, 1983).

(2) On May 1, 1983, D, a domestic corporation, owns 15% of the outstanding stock of a foreign corporation. On August 7, 1983, the foreign corporation was reorganized. As a result, D now owns 7% of the foreign corporation's outstanding stock. D must complete Schedule O to report this transaction.

(3) The facts are the same as above in example (2). Additionally, on October 1, 1983, D donates 3% of the outstanding stock of the foreign corporation to a charitable organization. D must complete Schedule O to report this transaction since the transaction reduces D's interest in the foreign corporation to less than 5%.

- (1) An officer or director is not required to file Schedule O for a shareholder who is:
  - (a) one of two or fewer U.S. persons own 95% or more in value of the outstanding stock of the foreign corporation; and
  - (b) a U.S. person files a return as a shareholder to report the acquisition.
- An officer or director is not required to file Schedule O for a shareholder who is described below:
  - (1) The shareholder is not required to file Schedule O if all of the following conditions are met:
    - (a) The shareholder does not directly own an interest in the foreign corporation.
    - (b) The shareholder is required to furnish the information solely by reason of attribution of stock ownership from a U.S. person; and
    - (c) the person from whom the stock ownership is attributed furnishes all of the information required of the person to whom the stock ownership is attributed.

(1) or (2) rules regarding shareholders who do not have to file Schedule O (formerly Form 955) because shareholders who own more stock file for them, see regulations section 1.6046-1(e)(5). If you are a shareholder who is filing for other shareholders in this situation, enter those shareholders' names in Schedule L.

**Specific Instructions (Schedule O)**

**Part I**

Column (a)—Enter the name of the shareholder whose transaction is being reported.

Column (b)—Enter the address of the shareholder being reported in column (a).

Column (c)—Enter the taxpayer identifying number for the shareholder being reported in column (a). For individuals, this is their social security number. For all others, it is their employer identification number.

Column (d)—Enter the date the shareholder being reported in column (a) first acquired a 5% or more ownership in the foreign corporation.

Column (e)—Enter the date the shareholder being reported in column (a) acquired an additional 5% or more ownership in the foreign corporation.

**Part II**

Part II may be completed by one or more shareholders who are participating in the same transaction that gives rise to the completion of Schedule O.

**Section A—**

Column (a)—Enter the name of each shareholder who is completing Schedule O.

Column (b)—Enter the class of stock acquired by the person listed in column (a).

Column (c)—Enter the date the stock was acquired by the person listed in column (a).

Column (d)—Enter the method of acquisition. (For example, "purchase," "gift," "bequest," "trade," etc.)

Column (e)—Enter the number of shares.

Column (1)—Acquired directly by the person listed in column (a).

Column (2)—Acquired indirectly by the shareholder listed in column (a), such as through the purchase of stock in one foreign corporation that has sufficient ownership in a second foreign corporation that would require the shareholder to file Schedule O.

Column (3)—Constructively owned by the shareholder listed in column (a).

For purposes of column (3), stock owned directly or indirectly by, or for, a foreign corporation or a foreign partnership is considered as being owned proportionately by its shareholders or partners. An individual is considered as owning the stock owned directly or indirectly by, or for, his or her brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants.

Column (f)—Enter the amount paid by the shareholder listed in column (a) for the shares of stock listed in column (a). If no price was paid, enter the value given for the shares.

Column (g)—Enter the name and address of the person from whom the shareholder listed in column (a) purchased the shares of stock entered in column (e).

Column (b)—Enter the following for the last U.S. income tax return filed by the shareholder listed in column (a):

Column (1)—Enter the type of return filed (for example, Forms 1040, 1065, 1120, etc.).

Column (2)—Enter the date the last return was filed.

Column (3)—Enter the Internal Revenue Service Center where the shareholder listed in column (a) filed its last income tax return.

Column (c)—Enter the last date the shareholder listed in column (a) filed any information required by section 6046.

Section B—The shareholder completing Section B must enter the following information with respect to any U.S. citizen or resident who is an officer or director of the foreign corporation.

Column (a)—Enter the name of each officer or director of the foreign corporation who is a U.S. citizen or resident.

Column (b)—Enter the address of each individual listed in column (a).

Column (c)—Enter the total security number of the individual listed in column (a).

Column (d)—Check the appropriate box or boxes that identify the individual listed in column (a).

**Section C—**

Section C—Section C is completed by shareholders who are completing Schedule O because they have acquired sufficient stock in a foreign corporation. If the shareholder acquired the stock in more than one transaction, use a separate line to report each transaction.

**Section A—**

Column (a)—Enter the name of each shareholder who is completing Schedule O.

Column (b)—Enter the class of stock acquired by the person listed in column (a).

Column (c)—Enter the date the stock was acquired by the person listed in column (a).

Column (d)—Enter the method of acquisition. (For example, "purchase," "gift," "bequest," "trade," etc.)

Column (e)—Enter the number of shares.

Column (1)—Acquired directly by the person listed in column (a).

Column (2)—Acquired indirectly by the shareholder listed in column (a), such as through the purchase of stock in one foreign corporation that has sufficient ownership in a second foreign corporation that would require the shareholder to file Schedule O.

Column (3)—Constructively owned by the shareholder listed in column (a).

For purposes of column (3), stock owned directly or indirectly by, or for, a foreign corporation or a foreign partnership is considered as being owned proportionately by its shareholders or partners. An individual is considered as owning the stock owned directly or indirectly by, or for, his or her brothers and sisters (whether by whole or half blood), spouse, ancestors, and lineal descendants.

Column (f)—Enter the amount paid by the shareholder listed in column (a) for the shares of stock listed in column (a). If no price was paid, enter the value given for the shares.

Column (g)—Enter the name and address of the person from whom the shareholder listed in column (a) purchased the shares of stock entered in column (e).

**Codes for Principal Business Activity**

These industry titles and definitions are based, in general, on the Standard Industrial Classification System authorized by Regulatory and Statistical Analysis Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity in which they are engaged.

Using the list below, enter on page 1, under lg, the code number for the specific industry group from which the largest percentage of "total receipts" is derived.

If, as its principal business activity, the corporation (1) purchases raw materials, (2) subcontracted out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3999) under "Manufacturing."

<b>Agriculture, Forestry, and Fishing</b>	<b>Code</b>	<b>Code</b>	<b>Code</b>
0000 Agricultural production	2635 Pulp, paper, and allied mills	3645 Radio, television, and communications equipment	6000 Finance, insurance, and real estate
0001 Aquacultural services (except shellfisheries)	2699 Other wood products	3670 Electronic components and electronic equipment	6010 Banks
0002 Fishing	2710 Newsprint	3698 Other electronic equipment	6020 Mutual savings banks
0003 Hunting and trapping	2720 Handmade paper	3700 Transportation equipment, except motor vehicles	6030 Bank holding companies
0100 Forestry	2735 Books, printing cards, and miscellaneous printing products	3730 Ship and boat building and repairing	6090 Banks, except mutual savings banks
0108 Other mining	2799 Chemicals and other printing products	3798 Motor vehicles, except motor vehicles	6100 Credit agencies
1100 Coal mining	2815 Industrial chemicals, plastics, synthetic rubbers, and allied products	3815 Scientific instruments and measuring devices	6120 Savings and loan associations
1130 Oil and gas extraction	2830 Drugs	3845 Optical, medical, and optometric instruments	6130 Business credit institutions
1131 Coal and gas extraction	2850 Plastics and allied products	3850 Photographic equipment and supplies	6199 Other credit agencies
1132 Oil and gas extraction	2890 Textiles and other chemical products	3998 Other manufacturing products	6200 Security brokers, dealers, and investment companies
1133 Oil and gas extraction	2910 Petroleum refining and related industries (including those integrated with extraction)		6299 Commodity contracts brokers and commodity exchanges and allied services
1134 Oil and gas extraction			6300 Insurance carriers, brokers, and agents
1135 Oil and gas extraction			6310 Real estate operators and lessors of buildings
1136 Oil and gas extraction			6315 Life insurance
1137 Oil and gas extraction			6316 Mutual insurance, except life or marine and certain fire insurance companies
1138 Oil and gas extraction			6319 Other insurance companies
1139 Oil and gas extraction			6410 Insurance agents, brokers, and reinsurers
1140 Oil and gas extraction			6411 Real estate operators and lessors of buildings
1141 Oil and gas extraction			6412 Real estate investment trusts
1142 Oil and gas extraction			6413 Real estate investment trusts
1143 Oil and gas extraction			6414 Real estate investment trusts
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1276 Oil and gas extraction			

**SCHEDULE M (Form 5471)**  
(Rev. January 1985)  
Department of the Treasury  
Internal Revenue Service

**Foreign Corporation Controlled by a United States Person**  
Attach to Form 5471.

OMB No. 1545-0704  
Expires 11-30-88

Name of person filing Form 5471: \_\_\_\_\_ Identifying number: \_\_\_\_\_

Name of foreign corporation: \_\_\_\_\_

Information furnished for foreign corporation's annual accounting period beginning 19 \_\_\_\_\_ and ending 19 \_\_\_\_\_

Important: The following information must be submitted on a separate Schedule M for each controlled foreign corporation. Amounts must be stated in U.S. dollars and all information must be in the English language.

(a)	(b)	(c)	(d)	(e)	(f)
Transferee of foreign corporation	U.S. person filing this return	Any domestic corporation controlled by U.S. person filing this return	Any foreign corporation controlled by U.S. person filing this return	10% or more U.S. shareholder of controlled foreign corporation (other than controlling shareholder)	10% or more U.S. shareholder of domestic corporation filing this return
1 Sales of stock in trade					
2 Sales of property rights (patents, trademarks, etc.)					
3 Compensation received for technical, managerial, engineering, construction, or like services					
4 Commissions received					
5 Rents, royalties, and license fees received					
6 Dividends received					
7 Interest received					
8 Premiums received for insurance or reinsurance					
9 Add lines 1 through 8					
10 Purchases of stock in trade					
11 Purchases of tangible property other than stock in trade					
12 Purchases of property rights (patents, trademarks, etc.)					
13 Compensation paid for technical, managerial, engineering, construction, or like services					
14 Commissions paid					
15 Rents, royalties, and license fees paid					
16 Dividends paid (exclude deemed distributions under subparts F and G) during:					
a First 60 days of foreign corporation's annual accounting period					
b Remainder of foreign corporation's annual accounting period					
17 Interest paid					
18 Add lines 10 through 17					

If an entry would be made in the above schedule except for the fact that no convention was paid, indicate the category in which this has occurred.

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5471.

Schedule M (Form 5471) (Rev. 1-85)  
U.S.G.P.O. 1984-451-473/20072

**SCHEDULE N (Form 5471)**  
(Rev. January 1985)  
Department of the Treasury  
Internal Revenue Service

**Foreign Personal Holding Company**  
Attach to Form 5471.

OMB No. 1545-0704  
Expires 11-30-88

Name of person filing Form 5471: \_\_\_\_\_ Identifying number: \_\_\_\_\_

Name of foreign corporation: \_\_\_\_\_

Information furnished for foreign corporation's annual accounting period beginning 19 \_\_\_\_\_ and ending 19 \_\_\_\_\_

Important: All information must be in the English language AND all amounts must be stated in U.S. dollars.

To Be Completed By Officers, Directors, and Shareholders

**Part I Section A—Outstanding Securities Convertible into Stock of the Corporation or Options Granted by the Corporation**  
(A complete detailed statement of conversion privileges must be attached)

Description of securities	Interest rate (%)	Face value	
		Beginning of year	End of year

**Section B—List of Holders of Convertible Securities or Options Granted by the Corporation**

Name and address of each holder of convertible securities or options (designate nonresident aliens)	Class of securities	Securities held		Explanation and date of any change in holdings of securities during year
		Beginning of year	End of year	
		Number	Face value	
		Number	Face value	
		Number	Face value	

**Part II Section A—Computation of Undistributed Foreign Personal Holding Company Income**

1 Earnings and profits (line 20, Schedule C)	1
2 Adjustments (see instructions)	2
3 Taxable income (combine line 1 and line 2)	3
<b>Additions</b>	4
4 Contributions deducted on line 16, Schedule C	
5 Excess of expenses and depreciation over income from property not allowable under section 556(b)(3) (attach schedule)	5
6 Deductions for taxes and payments to employees' pension trusts not allowable under section 556(b)(6)	6
7 Total additions (add lines 4 through 6)	7
<b>Deductions</b>	8
8 Contributions deductible under section 556(b)(2) (attach schedule—see instructions for limitation)	
9 Taxes (see instructions)	9
10 Lost operating loss for preceding tax year	10
11 Total deductions (add lines 8 through 10)	11
12 Line 3 plus line 7 less line 11	12
13 Deduction for dividends paid (Section B)	13
14 Undistributed foreign personal holding company income (Subtract line 13 from line 12)	14

**Section B—Deduction for Dividends Paid (See Instructions)**

	Date paid	Amount
15 Taxable dividends paid:		
(a) Cash		15(a)
(b) Property other than cash or the corporation's own securities (indicate nature of property)		15(b)
(c) Obligations of the corporation (bonds, notes, scrip, etc.)		15(c)
16 Consent dividends (attach schedule)		16
17 Deduction for dividends paid (add lines 15 and 16). Enter here and on line 13, Section A		17

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5471.

Schedule N (Form 5471) (Rev. 1-85)  
U.S.G.P.O. 1984-451-473/20072

**SCHEDULE O (Form 5471)**  
(Rev. January 1986)  
Department of the Treasury  
Internal Revenue Service

**Organization or Reorganization of Foreign Corporation, and Acquisitions and Dispositions of Its Stock**  
Attach to Form 5471. (See instructions for other filing requirements.)

OMB No. 1545-0704  
Expires 11-30-88

Name of person filing Form 5471: \_\_\_\_\_ Identifying number: \_\_\_\_\_

Name of foreign corporation: \_\_\_\_\_

Important: All information must be in the English language AND all amounts must be stated in U.S. dollars. Complete a separate Schedule O for each foreign corporation that must be reported.

**Part I To Be Completed By Officers and Directors**

(a) Name of shareholder	(b) Address	(c) Identifying number	(d) Date 1	(e) Date 2

**Part II To Be Completed By Shareholders**

**Section A—General Shareholder Information**

(a) Name of shareholder	(b) For shareholder's latest U.S. income tax return filed indicate:			(c) File if any shareholder has filed "Marital" (that under "other debts" in 10 relates to foreign corporation
	(1) Type of return	(2) Date return filed	(3) Internal Revenue Service Center where filed	

If this return is required by reason of one or more shareholders becoming United States persons, attach a list showing the names of such persons and the date each became a United States person.

**Section B—United States Persons Who Are Officers or Directors of the Foreign Corporation**

(a) Name of officer or director	(b) Address	(c) Social security number	(d) Check appropriate box: Officer    Director

**Section C—Acquisition of Stock**

(a) Name of shareholder acquiring stock	(b) Class of stock	(c) Date of acquisition	(d) Method of acquisition	(e) Number of shares acquired		
				(1) Directly	(2) Indirectly	(3) Constructively

For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5471.

Schedule O (Form 5471) (Rev. 1-86)

**Schedule O (Form 5471) (Rev. 1-86)**  
Page 2

(f) Amount paid or value given

(g) Name and address of person from whom shares acquired

**Section D—Disposition of Stock**

(a) Name of shareholder disposing of stock	(b) Class of stock	(c) Date of disposition	(d) Method of disposition	(e) Number of shares disposed of		
				(1) Directly	(2) Indirectly	(3) Constructively

(f) Amount received

(g) Name and address of person to whom stock was disposed

**Section E—Organization or Reorganization of Foreign Corporation**

(a) Name and address of transferee	(b) Identifying number (if any)	(c) Date of transfer

Assets transferred to foreign corporation

(1) Description of assets	(2) Fair market value	(3) Adjusted basis (U.S. person's U.S. person)	(4) Description of assets transferred by, or notes or securities issued by, foreign corporation

List the date of any reorganization of the foreign corporation that occurred during the last 4 years while any U.S. person held 5% or more (directly or indirectly) of the foreign corporation's stock.

If the foreign corporation is a member of one or more groups constituting a chain of ownership, attach a chart indicating each unit of which a shareholder owns 5% or more of the stock, the foreign corporation's position in each chain of ownership, and the percentages of stock ownership.







**SCHEDULE B**  
**(Form 5713)**  
(Rev. January 1996)  
Department of the Treasury  
Internal Revenue Service

**Specifically Attributable Taxes and Income (Section 999(c)(2))**  
(To be completed only by persons not computing loss of tax benefits by the international boycott factor on Schedule A (Form 5713). Attach to Form 5713. See instructions on back.)

OMB No. 1545-0216  
Expires 10-31-98

Name of country being boycotted:  Israel  Other (Identify) \_\_\_\_\_  
Taxpayer identifying number: \_\_\_\_\_

**Specifically Attributable Taxes and Income by Operation (Use a separate line for each operation.)**

Name of country	Principal business activity	Foreign tax credit	Subpart F income	IC-DISC income	FSC income
(1)	(2)	(3)	(4)	(5)	(6)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15 Total					

If you are involved in more than one international boycott, use a separate Schedule B (Form 5713) to compute the specifically attributable taxes and income for each boycott.  
For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5713.  
Schedule B (Form 5713) (Rev. 1-96)

**General Instructions**

**A. Purpose.**—Complete Schedule B (Form 5713) if you participated in or cooperated with an international boycott and if you figure the loss of tax benefits by specifically attributing taxes and income for this purpose, you must compute the international boycott factor on Schedule A (Form 5713).

**B. Who Must File.**—Anyone who participates in or cooperates with an international boycott must file either this form or Schedule A (Form 5713) to figure the loss of tax benefits. One act of participation or cooperation creates the presumption that you participate in or cooperate with the boycott unless you rebut the presumption as explained in instruction C. The presumption applies to all your operations, and those of each member of any controlled groups (defined in section 993(a)(3)) to which you belong, in each country that helps carry out the boycott.

**Carroll shareholders.**—IC-DISC benefits, certain FSC benefits, the "deemed paid" tax credit under section 902, and the deferral of subpart F income are lost at the shareholder level. Shareholders in an IC-DISC, certain FSC or a foreign corporation must report their prorated share of the tax benefits deemed. The details of these benefits are discussed in the specific instructions for columns (4) through (7).

**C. Boycott Operations.**—All your operations in a boycotting country are considered to be boycott operations, unless you rebut the presumption of participation in or cooperation with the boycott, as explained below. In an IC-DISC, operations that are not in a boycotting country are boycott operations if they are connected to your participation in or cooperation with the boycott.

You can rebut the presumption of participation in or cooperation with a boycott for a particular operation by demonstrating that operation is separate

from any participation in or cooperation with an international boycott. The presumption applies only to operations in countries that carry out the boycott, so you do not need to rebut the presumption for operations that are related to those countries, but that take place outside them.

**Specific Instructions**

**File Schedule B (Form 5713)** for the period covered by your income tax return. Report only your own taxes and income; do not include other members of any controlled groups to which you belong.

**Column (1).**—For each boycott operation enter the name of the country to which your international boycott operation relates. For example, if you have an operation in Country X, which is not a boycotting country, and the operation relates to Country Y, which is a boycotting country, enter the name of Country Y. The Secretary maintains a list. Under section 999(a)(3), of countries that require cooperation with an international boycott, but this list may not be all inclusive.

**Column (2).**—For each boycott operation enter the principal business activity code. Page 4 of the instructions for Form 5713 lists the codes.

**Column (3).**—For each boycott operation enter the product code and description in parentheses. The instructions for Schedule B of Form 1120-IC-DISC, list the codes.

**Column (4).**—For each boycott operation enter the foreign taxes that are paid, accrued, or deemed paid and are attributable to the boycott operation. These taxes are not eligible for the foreign tax credit. Omit foreign taxes otherwise disallowed under sections 901, 907, 911, or 918. For more information see Part II of the Treasury Department's International Boycott Guidelines.

Enter the column (4) total on line 2b, Schedule C (Form 5713).

**Column (5).**—For each boycott operation enter your prorated share of the controlled foreign corporation's income that is attributable to the boycott operation. (This includes your share of the section 923(a)(2) non-exempt income of a FSC.) This amount is not eligible for tax deferral. Omit the foreign corporation's income attributable to earnings and profits that are included in gross income under section 951 (except by reason of section 952(a)(3)). Also omit amounts excluded from subpart F income by section 952(b). In figuring the amount to enter in column (5), you are allowed a reasonable amount for deductions (including foreign taxes) allocable to that income.

**Enter the column (5) total on line 3b, Schedule C (Form 5713).**

**Column (6).**—An IC-DISC's taxable income attributable to boycott operations is not eligible for deferral. If you are a shareholder in an IC-DISC, follow these steps for each boycott operation and enter the result in column (6): Add the amount deemed distributed for the tax year under subparagraphs (A), (B), (C), (D), and (E) of section 995(b)(1). Subtract that total from the IC-DISC's taxable income attributable to the boycott operation for the tax year, before reduction for any distributions. If you are a corporation, prorate your share of the remainder and multiply by 16/17. If you are not a corporation, prorate your share of the remainder. Enter the result in column (6). Enter the column (6) total on line 4b, Schedule C (Form 5713).

**Column (7).**—A FSC's taxable income attributable to boycott participation or cooperation is not eligible for exemption from income tax. Enter in column (7) the amount of taxable income attributable to foreign trade income of a FSC that would have been exempt if there had not been boycott participation or cooperation for each boycott operation.

Enter the column (7) total on line 5b, Schedule C (Form 5713).

**SCHEDULE C**  
**(Form 5713)**  
(Rev. January 1996)  
Department of the Treasury  
Internal Revenue Service

**Tax Effect of the International Boycott Provisions**  
Attach to Form 5713.  
For Paperwork Reduction Act Notice, see page 1 of the Instructions for Form 5713.

OMB No. 1545-0216  
Expires 10-31-98

Name: \_\_\_\_\_ Taxpayer identifying number: \_\_\_\_\_

1 Method used in computing loss of tax benefits under sections 908(a), 952(a)(3), 995(b)(1)(F)(ii) and 927(e)(2) (check one):  
a International boycott factor from Schedule A (Form 5713). See items 2a, 3a, 4a, and 5a below   
b Identification of specifically attributable taxes and income from Schedule B (Form 5713). See items 2b, 3b, 4b, and 5b below

2 Reduction of foreign tax credit (section 908(a)):  
a International boycott factor. Complete if you checked box 1(a) above and answered "Yes" to foreign tax credit question on line 7d, Form 5713—  
(1) Foreign tax credit before adjustment (line 6, Part III, Schedule B, Form 1118 (Rev. Oct. 1985) (corporations) or line 5, Part IV, Form 1116 (1985) (individuals)) \_\_\_\_\_  
(2) International boycott factor (from Schedule A (Form 5713), line 3) \_\_\_\_\_  
(3) Reduction of foreign tax credit (multiply line 2a(1) by line 2a(2)). Enter here and on line 7, Part III, Schedule B, Form 1118 (corporations); enter here and on line 6, Part IV, Form 1116 (individuals). \_\_\_\_\_  
(4) Adjusted foreign tax credit (subtract line 2a(3) from line 2a(1)) \_\_\_\_\_

b Specifically identifying income and taxes. Complete if you checked box 1b above and answered "Yes" to foreign tax credit question on line 7d, Form 5713. Enter the amount from line 15, column (4), Schedule B (Form 5713). Enter the appropriate part of this amount on line 3, Part II, Schedule B, of all applicable Forms 1118 (corporations) or on line 4, Part III, of all applicable Forms 1116 (individuals). \_\_\_\_\_

3 Denial of deferral under subpart F (section 952(a)(3)):  
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to controlled foreign corporation question on line 7b, Form 5713—  
(1) Prorated share of total income of controlled foreign corporations (See instructions.) \_\_\_\_\_  
(2) Prorated share of income attributable to earnings and profits of controlled foreign corporations included in income under sections 951(a)(1)(A)(i), 951(a)(1)(A)(ii), 951(a)(1)(B), 952(a)(1), 952(a)(2), 952(a)(4), and 952(b) \_\_\_\_\_  
(3) Subtract line 3a(2) from line 3a(1) \_\_\_\_\_  
(4) International boycott factor (from Schedule A (Form 5713), line 3) \_\_\_\_\_  
(5) Prorated share of subpart F international boycott income (multiply line 3a(3) by line 3a(4)). Enter here and on line 5, Worksheet A, contained in the Instructions for Form 5471 \_\_\_\_\_

b Specifically identifying taxes and income. Complete if you checked box 1b above and answered "Yes" to controlled foreign corporation question on line 7b, Form 5713. Enter the amount from line 15, column (5), Schedule B (Form 5713). Also enter this amount on line 5, Worksheet A, contained in the Instructions for Form 5471 \_\_\_\_\_

4 Denial of IC-DISC benefits (section 995(b)(1)(F)(ii)):  
a International boycott factor. Complete if you checked box 1a above and answered "Yes" to IC-DISC question on line 7c, Form 5713—  
(1) Prorated share of section 995(b)(1)(F)(ii) amount (see instructions) \_\_\_\_\_  
(2) International boycott factor (from Schedule A (Form 5713), line 3) \_\_\_\_\_  
(3) Prorated share of IC-DISC international boycott income (multiply line 4a(1) by line 4a(2)). (See instructions.) \_\_\_\_\_  
b Specifically identifying taxes and income. Complete if you checked box 1b above and answered "Yes" to IC-DISC question on line 7c, Form 5713. Enter amount from line 15, column (6), Schedule B (Form 5713). Also enter this amount on the appropriate line of Schedule J, Form 1120-IC-DISC \_\_\_\_\_

Schedule C (Form 5713) (Rev. 1-96)

**Instructions**

**Section references are to the Internal Revenue Code.**

**1** You do not need to complete Schedule C (Form 5713) for a partnership or an IC-DISC. You must complete it, however, if you are a partner or an IC-DISC shareholder.

**Controlled Groups.**—Unless a controlled group (described in section 993(a)(3)) files a consolidated return, each member may choose independently either to apply the international boycott factor under section 999(c)(1) or to identify specifically attributable taxes and income under section 999(c)(2). Each member must consistently use a single method to figure the loss of tax benefits. For example, a member that chooses to use the international boycott factor must apply it to determine its loss of the section 902 indirect foreign tax credit on a dividend that another member of the controlled group paid to it, even if the

other member determines its own loss of tax benefits by identifying specifically attributable taxes and income.

**2** Thus, a person who applies the international boycott factor to one operation must apply the factor to all that tax year's operations under section 908(a), 952(a)(3), 995(b)(1)(F)(ii) or 927(e)(2).

**3** A person who identifies specifically attributable taxes and income under section 999(c)(2) must use that method for all that tax year's operations under section 908(a), 927(e)(2), 952(a)(3), or 995(b)(1)(F).

**4** An IC-DISC whose tax year differs from the common taxable year of the controlled group of which it is a member does not need to amend its return to show on Schedule J (Form 1120-IC-DISC) the amount of IC-DISC benefits lost because of boycott participation. Since the IC-DISC benefits are lost at the shareholder level, the shareholder must include in

**Denial of exemption of foreign trade income (section 927(e)(2)).**

International boycott factor. Complete if you checked box 1a above and answered "Yes" to FSC question on line 7i, Form 5713.  
(1) Add amount from columns (a) and (b), line 10, Schedule B (Form 1120-FSC).  
(2) International boycott factor (from Schedule A (Form 5713), line 3).  
(3) Exempt foreign trade income of a FSC attributable to international boycott operations (multiply line 10(b) by line 5a(2)). Enter here and on line 1, Schedule F (Form 1120-FSC).  
b Specifically attributable taxes and income. Complete if you checked box 1b above and answered "Yes" to question on line 7i, Form 5713. Enter amount from line 15, column (7), Schedule B (Form 5713). Also enter this amount on line 1, Schedule F (Form 1120-FSC).

**Instructions**  
(Section references are to the Internal Revenue Code.)

**1** Thus, a person who applies the international boycott factor to one operation must apply the factor to all that tax year's operations under section 908(a), 952(a)(3), 995(b)(1)(F)(ii) or 927(e)(2).

**2** A person who identifies specifically attributable taxes and income under section 999(c)(2) must use that method for all that tax year's operations under section 908(a), 927(e)(2), 952(a)(3), or 995(b)(1)(F).

**3** An IC-DISC whose tax year differs from the common taxable year of the controlled group of which it is a member does not need to amend its return to show on Schedule J (Form 1120-IC-DISC) the amount of IC-DISC benefits lost because of boycott participation. Since the IC-DISC benefits are lost at the shareholder level, the shareholder must include in

income the prorated share of income attributable to boycott operations shown on line 4a(3).  
**Line 3a(1).**—Enter your share of the income of the controlled foreign corporation on line 3a(1).  
**Non-exempt foreign trade income of a foreign sales corporation (FSC) that was compiled without regard to the administrative pricing rules in the subpart F rules.** Enter your share of these types of income on line 3a(1).  
**Line 4a(1).**—Prorated share of section 995(b)(1)(F)(ii) amount.—A noncorporate shareholder enters its share of the earnings and profits of the IC-DISC reduced by its share of the distributions under sections 995(b)(1)(A), (B), (C), (D), and (E) on line 4a(1). A corporate shareholder takes its share of the earnings and profits of the IC-DISC and reduces it by the distributions under sections 995(b)(1)(A), (B), (C), (D), and (E). It multiplies this amount by 16/17 and enters the result on line 4a(1).

Schedule C (Form 5713) (Rev. 1-96)









